

**Test Valley Borough Council**



**Affordable Housing  
Development Viability Study  
(Update) 2009/10**

**Final Version - November 2010**

**Report for the consideration of Test Valley Borough Council.**

**This does not constitute Council Policy.**

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## EXECUTIVE SUMMARY

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- **Update Study - Background and purpose.** This report builds on Adams Integra's previous Affordable Housing Development Viability Study work completed for Test Valley Borough Council in 2004 and 2007, so that the Council's ongoing consideration of affordable housing policy development is kept informed by relevant and up-to-date evidence on the viability of housing schemes. In doing so, it also builds on the previous work and policy consideration stages by the Council, using our wide experience of these processes through to Examination in Public of the Development Plan Documents (DPDs), and of the necessary judgements involved in considering appropriate policies as well as applying them. The study approach and methodology is again consistent with our and most others' wider work. It is based on considering the likely impact on residual land values from planning policy requirements.
- **Property market.** In carrying out these studies, we have seen a rising market to its peak in late 2007/early 2008 followed by a severe downturn and subsequently a degree of recovery. Late in 2010, on closing the study, we have seen initial signs of a further wavering of the market and therefore of the more recent steady or upward house price trends. There is a level of ongoing uncertainty which appears to be eroding the increased confidence levels and price gains seen earlier in the year. Only time will tell how the market and price levels move from here. The purpose of this set of work is to contribute to the strategic overview that the Council needs to take in setting suitable objectives, strategies and targets for the DPDs within its Local Development Framework (LDF). Again, this update has not been carried out with any single set of market conditions and resulting values levels in mind – a more strategic view has been taken.
- **Assumptions.** The study assumptions have been reviewed for this update. In summary, they have been updated in respect of the range of market values considered; build costs (including for Building Regulations/Code for Sustainable Homes); levels of developer's profit, contingencies and fees; scope of wider planning obligations (other section 106 agreement contributions) and planning application costs. The report sets out the detail, again on the basis that site specifics can be highly variable and thus influence particular assumptions and outcomes.
- **Outcomes – main recommendations overview.**
  - A continued theme of recognising the role of scheme viability and of needing to set out clear targets as the basis for a practically applied approach, including scope for flexibility and negotiated provision of affordable homes where necessary.

- A simple, Borough-wide approach is suggested for consideration - i.e. a single set of thresholds and proportions.
- There is justification and scope for lowering of thresholds, potentially to a point where all new dwellings provide a contribution towards meeting affordable housing needs (suggested for application to the net number of new dwellings). Our findings consistently show that smaller schemes are not necessarily any more or less viable than larger ones.
- Our view is that whilst the direct provision of affordable homes integrated within market housing developments will need to be the Council's priority, it should consider an alternative to on-site provision in the case of schemes of fewer than 5 dwellings, and potentially for some larger schemes.
- The alternative may be to consider seeking financial contributions. In any event we consider that approach should be the starting point for schemes of fewer than 5 dwellings - if those are to come within the updated policy scope in Test Valley.
- As part of the range of strategies available to the Council, a financial contributions approach has the potential to provide a positive additional enabling tool, especially in times of uncertain funding availability for affordable homes.
- There is a useful role for a sliding scale type approach in Test Valley (whereby the target requirements increase with scheme size) which recognises the sensitivities often seen around the smaller schemes, especially those which may come within the affordable housing policy scope for the first time.
- We have set out what we consider to be the scope available to the Council for its ongoing consideration of policy targets. Whilst we also identify alternatives in summarising this scope towards the end of the report, it points to a potential approach based around seeking:
  - Financial contributions from schemes of 1 to 4 new dwellings (based on an equivalent target proportion of 20%).
  - As a starting point, 20% on-site affordable housing on schemes of 5 to 9 dwellings (but potentially with financial contributions also having a role).
  - 30% on-site affordable housing on schemes of 10 to 14 dwellings.
  - 40% on-site affordable housing on schemes of 15 or more dwellings.

## **1 INTRODUCTION and BACKGROUND**

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**Note: This Report is for review by Test Valley Borough Council in considering and informing policy development - it does not constitute Council Policy.**

- 1.1.1 Test Valley Borough Council is producing its Local Development Framework (LDF), in line with the requirements of the Planning and Compulsory Purchase Act 2004. Through a range of key strategies policies, the LDF will guide and control the spatial development of the Borough, including the future use and development of land, over the plan (LDF) period.
- 1.1.2 To help inform and influence the policies on affordable housing provision within the Core Strategy & Development Management Policies Development Plan Documents (DPDs) within the LDF, the Council commissioned Adams Integra to undertake an update review of the previous study work on the viability of affordable housing policy options<sup>1</sup> - completed in December 2004 (in connection with the Local Plan) and previously updated by our report of September 2007 at early stages of LDF preparation.
- 1.1.3 The broad objective of this study work has been to gain and maintain an understanding of the development economics associated with providing planning-led affordable housing through market housing development schemes in Test Valley. It examined how the development viability of market housing sites is affected by various potential policy options for continuing to secure affordable homes through this route. The policy options explored covered a range of potential combinations of affordable housing thresholds and proportions. These included the scope to consider an approach to seeking contributions towards meeting affordable housing needs through a financial payments route potentially applicable to small sites; the range considered to inform policy development thinking was schemes of 2 to 14 dwellings.
- 1.1.4 As stated in our previous (update) study document, the Council's adopted policy<sup>2</sup> required affordable housing to be provided on sites of 15 or more dwellings in settlements with a population of 3,000 or more and on sites of 5 or more in smaller settlements – with the Council stating that it would negotiate a target proportion of up to 40% of the total number of dwellings in those scenarios.
- 1.1.5 This Local Plan background still sets the tone for the purpose of negotiations and setting clarity of the Council's expectations.

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<sup>1</sup> Adams Integra – Affordable Housing Development Viability Study – December 2004 and Affordable Housing Development Viability Study (Update) September 2007.

<sup>2</sup> Test Valley Borough Local Plan 2006 – Policy ESN04 (as saved subsequently)

- 1.1.6 The position on thresholds has moved on in many areas since the introduction of PPS 3, whereby a scheme size of 15 dwellings now forms the usual start point for policy consideration. From this point and the flexibility around it, together with proven high affordable housing need levels, where viable and practicable, many Authorities are considering and have adopted lower thresholds. There is a growing number of precedents for lower thresholds and approaches which often include some form of sliding scale (meaning increasing affordable housing proportions sought with increasing scheme size) to include smaller developments given the role those play in housing supply in many areas. Our 2007 update work reviewed and reinforced the scope for the Council to consider the application of these principles locally, so that schemes of fewer than 15 dwellings might contribute to affordable housing provision - across the Borough. This updated study work considers this further, given the local need levels and the nature of site supply here. In addition, in our view the system of thresholds has always been arbitrary to a degree. We consider that potentially a more equitable approach arises from seeking appropriate levels of contributions (as targets) from a wider range of developments.
- 1.1.7 A key issue facing the Borough is the gap between house prices and incomes. There are relatively high house prices and relatively low incomes, resulting in a large proportion of Test Valley residents being unable to access open market housing. This is especially the case in the rural areas. The Central Hampshire and New Forest Strategic Housing Market Assessment (2007) identified in Test Valley a level of need of 2,290 households with 69% of new households unable to rent or buy market housing. The Council's records indicate that there are currently (September 2010) 3,661 households on the Joint Housing Register (2,994 on the Housing Register and 667 on the Housing Transfer List). This need may increase with changes to Housing Benefits where there may be difficulties in finding suitable private rented sector accommodation locally for households that are accepted as homeless or at risk of homelessness. The current affordable housing target is 150 completions per year.
- 1.1.8 Other aspects of the context have also moved on.
- 1.1.9 South East Plan Policy SH6 provided that a general guideline 30-40% of housing on new development sites in the South Hampshire sub-region should be affordable housing. However during the course of our latest work with the Council the Government has continued to indicate its intention to remove that regional layer of planning policy. Earlier in 2010, following the general election, the South East Plan that and other Regional Spatial Strategies (RSSs) were effectively rescinded in favour of an emerging more localised approach to housing requirements generally. During the year, however, the rapid removal of this policy layer has been successfully challenged, so that it appears the South East Plan and other RSS will continue to have some relevance to development control, at least in the very short-term until this

situation is fully clarified. Aside from this ongoing uncertainty around the regional planning policy layer, however, the levels of affordable housing needs will continue to be a key driver to the type of policies we are considering through this study, wherever the overall housing provision numbers and distribution situation settles. Seeking this level of provision, as the housing needs scenario requires, in our view not only means optimising provision from sites already within local policy scope, but also points to contributions towards meeting the needs being sought from a wider range of sites.

- 1.1.10 In addition, we have experienced significantly changing property market conditions reflected on a local, regional and national basis given the global economic turmoil which started to be seen with the downturn triggered in the autumn of 2007 – following our later (update) work.
- 1.1.11 A final noteworthy point on context is the direction of travel of requirements for sustainable construction and development (on a national and regional basis; not just locally) and (again common with developments in many other local authority areas) in respect of the typically increased scope of planning obligations related to transport, community, environmental, recreational and other infrastructure requirements (the wider collective scope of planning obligations).
- 1.1.12 To contribute to keeping its evidence base as up-to-date and relevant as is practically possible, the Council has asked Adams Integra to provide an overview update, undertaken in the context of this updated background. This study therefore re-examines economic viability taking into account increased development and planning obligations costs, based on reviewed and expanded assumptions, and the variation in market conditions seen and possible in terms of potential variation of values over time in the LDF strategic context.
- 1.1.13 On review of the Land Registry House Prices Index, we can now see that the previous study update (and therefore fixing of the values range and other assumptions) was carried out prior to the peak of the housing market in terms of value levels (with Hampshire sales volumes running at around 3,000 per month during the period June to August 2007 – similar to their levels during the period June to December of 2006).
- 1.1.14 From September 2007 sales volumes fell sharply – to a low of around one quarter of their high by January/February 2009 (727 per month in February 2009).
- 1.1.15 Climbing again steadily after that point, sales volumes reached about two thirds of their high by November/December 2009.

- 1.1.16 However, the latest available information at the point of considering assumptions this time – for January and February 2010 – suggested sales volumes per month for the County at about half those levels (or approximately one third of peak levels). At the time, it remained to be seen what the figures for the following three months would show.
- 1.1.17 The Land Registry house price index shows the lag effect in the effect of these market variations on house prices. It indicates that Hampshire prices continued to rise until around January 2008, when they peaked and thereafter fell continually and significantly through 2008 and well into 2009.
- 1.1.18 It can be seen that the most significant value falls came in the Autumn of 2008, with Hampshire values reaching their lowest in this cycle around May 2009; indicated to be about 17.3% below their January 2008 peak – based on this Land Registry data on average values.
- 1.1.19 Further examination of the Land Registry House price indicates average prices locally at April 2010 being at more or less exactly the same level as they were at December 2006, and only about 4.5% below their June 2007 (previous research timing) level. This gives some feel for a developing picture of very similar values levels now, as we complete this further review work, to those seen during the period within which we were gathering information and forming assumptions for the previous (2007) review. We can now see that prices continued to climb for a period after that previous work was completed.
- 1.1.20 Much economic and, therefore, housing market uncertainty remains at the point of us gathering information for considering this update - over the period Autumn 2009 to Spring 2010. Many commentators have suggested that the degree of housing market recovery seen through the latter half of 2009 was fragile. Their concerns that during 2010, and quite possibly beyond, we will see continued uncertainty appear well founded. A further weakening (and even a reversal of some of the recovery trend) still appears possible given the remaining relatively weak economic backdrop, ongoing jobs market fears, public sector spending cuts and general ongoing uncertain conditions. Appendix III to this update report includes information on the latest property market and house price trends – as available on closing the study.
- 1.1.21 This remains a very challenging time in which to be considering development viability and indeed delivering housing. However, on a more positive note we also consider it a good point at which to be considering policy development, as a key part of any necessary re-setting and clarification of expectations for what are likely to be some more active development periods, again, at various points moving forward in to and through the plan period.
- 1.1.22 Building on our previous reviews of thresholds and proportions here, this update reassesses the impact on land values and therefore the viability of potentially lowering affordable housing thresholds further (combined with



varying approaches to proportions and given the likely wider burdens on schemes). This is so that the Council can consider, alongside other elements of its evidence base and local characteristics, the possibility of a wider range of schemes making some form of contribution towards meeting affordable housing needs. The review scope includes the potential use of carefully assessed financial contributions in the event of the some of the smallest scheme types coming within a more widely based and arguably more equitable policy framework than one which concentrates the burden on a narrower range of sites.

## **2 METHODOLOGY RE-CAP, UPDATED ASSUMPTIONS and related commentary**

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### **2.1 Introduction and appraisals basis**

- 2.1.1 This study aims to continue the previous strategic review work carried out on the viability of residential development in the Borough. It builds upon our studies of 2004 and 2007, so that the Council's ongoing consideration of policy development is informed by relevant and up-to-date evidence. In doing so, it also builds on the previous work and policy consideration stages by the Council, using Adams Integra's wide experience of these processes and of the necessary judgements involved.
- 2.1.2 The full methodology applied and detail provided in the previous study documents is not repeated here. A concise update was required and is suitable for the evidence base purpose.
- 2.1.3 Those assumptions and details that have been varied from the previous work in carrying out this update are set out in this report.
- 2.1.4 The key thinking underpinning the update study is again that the completed scheme sales value ('gross development value', or 'GDV') is determined by the potential and constraints relevant to a particular site (including planning policy related), which in turn drives the resulting land value after the wider range of development costs, requirements and obligations are taken account of.
- 2.1.5 This study again reviews the existing and potential positions on affordable policy headlines (proportions) relevant to a scheme size threshold of 15 or more dwellings. It also updates our investigation of the impact of potentially reducing the urban areas affordable housing threshold below the currently applied level of 15 dwellings, and of maintaining or otherwise reviewing the smaller settlements rural areas threshold (of 5 dwellings). The review of the potential to seek/continue to seek affordable housing on schemes falling beneath a 15 dwellings threshold, a key area of the study, considers both on-site provision and the collection of financial contributions from those smaller developments; for further consideration by the Council as the Core Strategy draft firms up.
- 2.1.6 We have again used our assessments of the impact of varying affordable housing requirements on residual land value (RLV) as our key measure in making judgements and putting forward to the Council our recommendations and guidelines for its consideration. This means that, as with the previous study work, we have compared the impact of the range of potential policy approaches with the current policy positions. We have reviewed the impact on approximate land values of increasing the percentage of affordable housing

sought on-site on market-led schemes of 4, 5, 8, 10, 12, 15 and 25 dwellings (of varying dwelling mixes) from zero to a range of potential future affordable housing proportions of 20%, 30% and 40%; all as part of exploring a wider range of potential policy options (meaning potential combinations of affordable housing thresholds and proportions).

2.1.7 In addition to those scenarios which envisage the provision of integrated on-site affordable housing within the relevant market-led development, we have looked at schemes in the size range 1 to 9 dwellings (flats and houses) providing a financial contribution in lieu of on-site affordable housing. This part of the review built on and expanded the range of potential policy approaches explored. This element of the work was carried out over the same range of (equivalent) affordable housing proportions – 20%, 30% and 40%.

2.1.8 The financial contributions route assumes that all housing built on the site will be for private (market) sale and that there will be a cost to the developer which is reflected as a section 106 payment in the appraisal, in much the same way as wider planning obligations contributions are dealt with.

2.1.9 The method used for the calculation of the financial contribution is as per the previous study (section 3.7) and is not repeated here. We did adjust downwards the RLV% applied within formula which derives a replacement land value – this time to 25.2%, to reflect the reduced tone of RLVs given the increased cost assumptions applied relative to the previous appraisal sets. Ours is by no means the definitive or only approach that could or should be taken in considering the collection of and calculating financial contributions. Our previous study work contained more detail on this, which we will not repeat here. As far as establishing or indicating payment levels is concerned, local authorities adopt a number of calculation methods. In most cases it means considering a methodology which either:

- Relates to the build cost of the affordable homes, or
- Relates to the land cost element – allied to a nil-cost land approach to on site affordable housing, or
- Considers the difference between the open market sale revenue and the affordable housing revenue for the relevant homes which would have formed the on-site quota. This latter route may be more complex, need more updating and be viewed as less market related.

2.1.10 Our suggested route is purely a mechanism to allow us to calculate a reasonable contribution and test the impact on development viability of collecting those sums of money in lieu of onsite affordable housing provision. We have to fix on an approach to drive our appraisals. It is an approach based on principles that we have experience of applying usefully and successfully in negotiations elsewhere, as well as in the consideration of

policy formulation on financial contributions. We have selected it because it relates to land value, and so shares thinking with the study basis. In our experience this also usually makes it better understood by landowners and developers compared with potentially complex and highly variable affordable housing funding related mechanisms. A commuted sums methodology based on land value links well to market reality and processes, and should be simpler to take account of in the early stages of site feasibility. Other calculation methods could well be suitable – we do not rule those out. The Council could review alternatives having first considered the principles and local applicability of a financial contributions route as an additional affordable housing enabling tool.

2.1.11 A number of development assumptions (linked to those used for the base, Appendix II appraisals) were fixed when running these appraisals in order to determine the likely impact on development viability should the Council develop thinking in this area as part of its policy approach.

2.1.12 A summary of the development scenarios reviewed this time assuming on-site affordable housing, and key assumptions, is provided at Appendix I. Appendix IIe sets out the scope, and RLV results relating to the potential financial contributions route. Section 2.3 below also provides details of assumptions which have been varied from the earlier study work.

2.1.13 From the previous basis and given the Council's current position as well as its prior policy consideration work, in summary for this study we have re-investigated:

- Property values and key areas of scheme costs – updating, as well as looking ahead in terms of a potential varying market influencing values, and (although recent variations have seen reduced build costs) given the general longer-term trend of increasing planning obligations and development costs. Key assumptions revisions this time include an increased level of wider planning obligations (infrastructure) costs both as a base level assumption and tested at a higher level, and costs related to sustainable construction (Code for Sustainable Homes standards or equivalent Building Regulations enhancements).
- The impact of the introduction of a financial contribution applicable to smaller schemes; this time in the range between 1 and 9 dwellings (i.e. for potential application to smaller scheme sizes, and to provide overlapping results with the smaller on-site affordable housing scenarios appraised).
- On-site affordable housing in relation to potential options for positioning of headline thresholds including the potential to lower thresholds (for urban area schemes) and associated target proportions (%) – to provide the

Council with parameters from a viability perspective as it further considers this area of policy development.

2.1.14 In summary, the on-site affordable housing appraisal sets carried out (with key assumptions varied so as to explore the sensitivity of outcomes to a range of variables, based on scenario testing) were as follows:

- Set 1 – 17.5% developer's profit; wider planning obligations at £5,000 per dwelling; Code for Sustainable Homes ('CfSH') Level 3 attainment – all dwellings; no additional renewable energy/CO2 reduction cost allowance; build costs (as previous) at £1,000/m2 for houses and £1,150/m2 for flats. Marketing, legal, acquisition, planning fees, finance etc costs have also been refreshed since the previous work. **[Appendix II]**
- Set 2 – As Set 1, but with build costs moved up to £1,100/m2 for houses and £1,250/m2 for flats. These represent our more recent view of costs, but as those have been and are likely to move around this also enables us to consider the sensitivity of the residual land value ('RLV') outcomes to this assumption varying. **[Appendix IIa]**
- Set 3 – (Sampled on the 5 houses and 25 mixed dwellings schemes) – As per set 2 assumptions, but with increased cost allowance in respect of CfSH level 4 attainment (again assumed for all dwellings). **[Appendix IIb]**
- Set 4 – Same sample schemes and again Set 2 assumptions basis; but this time trialling alternative developer's profit levels of 15% and 20% GDV (either side of the base 17.5% assumption). **[Appendix IIc]**
- Set 5 – Same samples again, same Set 2 assumptions again (including profit at 17.5%) but this time trialling with £10,000 per dwelling wider planning obligation cost level. Note that these results can also be used to consider consider in outline the impact of added costs from a potential range of factors – to an equivalent level per dwelling. **[Appendix IId]**
- Additional workings and scenarios to consider indicative levels of financial contributions that might be applied to schemes of 1 to 9 dwellings, based on land value replacement; together with related RLV outcomes. **[Appendix IIe]**

2.1.15 The schemes appraised, again, are not actual developments. They represent notional housing developments reflecting a range of scenarios that are likely to occur locally, and crucially, that best match how the policy requirements of the Council would operate in those circumstances. This approach is entirely appropriate to the strategic overview that needs to be informed by this work.

2.1.16 Again, research into local property prices across Test Valley Borough was reviewed to produce a realistic range of sales and therefore development values for the appraisal modelling and results review. This reflects the process carried out for the earlier work study and effectively updates that underpinning information - so that we could develop a feel for values levels relative to those found previously and consider the impacts of the changing market conditions, including potentially in the future.

## **2.2 Property Market and Values**

2.2.1 Here we will only summarise the key elements of the review process (information gathering) undertaken from November 2009 and through to the Spring of 2010 for this update. Appendix III sets out this aspect of the work in more detail – the updated research. There, we provide information on overall (resales dominated) market property values in the Borough, leading to an indicative hierarchy of typically the most expensive to least expensive areas. Alongside this is information relating to the pricing of new build schemes in the Borough (as at November 2009), together with more general market commentary and information. The research exercise is not exhaustive or statistically based; in our experience it is best to review a range of information in order to underpin judgements on an appropriate range of values assumptions associated with this strategic overview, as we have done.

2.2.2 The continued use of our Value Points methodology sets us up well for this exercise and for building on the previous work – enabling the consideration of values varying by locality/scheme types and/or through time as may be influenced by varying market conditions.

2.2.3 The updated research resulted in the following extended range of Value Points (see Fig. 1 below) for this update. This has been set so as to extend the range over which we study viability given the variation in market conditions that could be experienced in the foreseeable future. It includes values lower than those studied previously and typically seen now (in the order of 10% lower than the tone of previous 'Value Point 1') as well as, at Value Point 6, values beyond those seen in most locations within the Borough typically at present.

**Figure 1: Summary of Updated Value Points Range**

Value Point ('VP')	1-Bed Flats	2-Bed Flats	2-Bed Houses	3-Bed Houses	4-Bed Houses	£ / sq m Equiv.	£ / sq ft Equiv.	
1	£102,000	£132,000	£152,000	£172,000	£202,000	£2,000	£186	Added lower VP
2	£112,200	£145,200	£167,200	£189,200	£222,200	£2,200	£204	Former VP1
3	£131,325	£169,950	£195,700	£221,450	£260,075	£2,575	£239	Former VP2
4	£150,450	£194,700	£224,200	£253,700	£297,950	£2,950	£274	Former VP3
5	£169,575	£219,450	£252,700	£285,950	£335,825	£3,325	£309	Former VP4
6	£188,700	£244,200	£281,200	£318,200	£373,700	£3,700	£344	Former VP5

2.2.4 The indicative property values shown in Figure 1 are based on our dwelling size assumptions as shown in Appendix 1. Those are (expressed in terms of Gross Internal (floor) Area (GIA): 51 sq m (1 bed flat); 66 sq m (2 bed flat); 76 sq m (2 bed house); 86 sq m (3 bed house); 101 sq m (4 bed house). Again, we acknowledge that dwelling sizes are very likely to vary from these in practice, even within schemes. However, the key information here is the range of value levels considered in terms of the per sq m (or sq ft) indications; these can be applied to a wider range of dwelling types and sizes. How dwelling size affects a quick review of its price should be borne in mind.

2.2.5 Overall, the range of values considered to be most relevant for the range of Test Valley characteristics is represented by Value Points 2 to 5. We will now briefly give a feel for how the points within this range most likely represent different areas within the Borough (although significant variations on a much more localised basis will of course be seen – this refers to general tones of values and patterns).

2.2.6 Value Point 1 represents value levels beneath those at 'Value Point 1' applied in the 2007 study. It was felt necessary to include these for wider sensitivity purposes rather than current key relevance - regarding how current lower end values might look in the event of further market decline.

2.2.7 At the point of our research and assumptions setting, Value Point 2 levels represent current lower end Test Valley values, most likely seen within some areas of Andover (although noting that Andover also has some higher value areas, as observed previously).

2.2.8 We consider that Value Points 3 and 4 represent a more typical picture of Test Valley levels, taking an overview as is necessary for the consideration of the Council's strategic approach and (as with all such points) bearing in mind that site-specific viability outcomes will be variable and highly dependent on location, scheme type, timing, funding availability and a range of other factors as this work acknowledges.

- 2.2.9 Value Points 5 and 6 represent the current typical upper part of range and increasing values in the event of more stable market conditions moving ahead.
- 2.2.10 Although the relatively low level of development activity at time of research and assumptions fixing (in terms of current schemes selling) meant there was a limited amount of new builds information to feed in to our necessary wider review of the values range appropriate for this review, this indicated a range of new build pricing.
- 2.2.11 At 1.1.13 to 1.1.19 above we outlined the Hampshire price trends seen through the movements in the Land Registry House Prices Index. Further information is also provided at Appendix III.
- 2.2.12 In terms of the hierarchy of values by areas/settlement, we still feel that the hierarchy indicated in our previous work remains valid. Higher values, and sometimes notably so, are generally seen elsewhere than in Andover. The rural areas (including the villages – such as, Kings Sombourne, Middle Wallop, Broughton, Nether Wallop, Chilbolton), often see the highest values, although prices in Romsey and Stockbridge, but also in the other settlement areas such as North Baddesley and Valley Park, are often at similarly high levels.
- 2.2.13 As before, these can only be regarded as broad statements since very local values variations are seen. It is incorrect to “label” Andover as always lower value as it also contains areas with property priced at comparable levels to those seen elsewhere in the Borough. Previously we noted that although the Andover Wards of Winton, Millway, Charlton and St Mary’s exhibited low values in the Test Valley context; other Andover Wards – notably Harroway and Alamein – indicated local values comparable with those towards the top of the range for Test Valley. This strongly suggests that a range of scenarios and new build values could also be seen in Andover, dependent on specific location and particular scheme type.
- 2.2.14 While there are general values patterns in that Andover is often likely to see lower values for mass market type new build housing, overall we remain of the view that the level of distinction that we see, and its rather blurred nature is not likely to be sufficient to justify bespoke policy for the whole of Andover. Furthermore, we do not consider that it would be appropriate to develop policy for Andover but, for example, differentiate certain higher value areas within it from the rest.
- 2.2.15 Whilst we now know that the market changed significantly quite soon after its completion, the previous study work was in essence prepared during a time of a positive looking housing market – pre-recession. We commented that at that point (September 2007, based on earlier research) values had strengthened since the period of the 2004 study. This update is set in the



context of what is increasingly looking a fragile recovery from that significant downturn period, but with continuing uncertainty. Although in to the Spring and Summer of 2010 there have been more mixed signals including increased levels of development industry activity, characteristic features of the downturn which have been evident since the 2007 study period have included:

- Banks stepping in to schemes and cases of house building/development companies ceasing trading.
- Many other house builders and organisations involved in the development industry reducing staff numbers or scaling back operations significantly.
- Some estate agents reducing their presence/mothballing offices/ operating reduced office opening hours, etc.
- Many house builders reporting reduced margins overall.
- A very marked slow-down in the rate of construction of new homes.
- Increased instances of developers pulling out of schemes, and delaying starts or slowing scheme progress/ “mothballing” sites.
- Incentives being offered fairly typically on new build sites - such as stamp duty/5% deposit paid/deferred purchase/shared equity/mortgage payments assistance, and perhaps others – dependent on a prospective purchaser’s position together with the developer’s marketing experience and sale potential of particular plots, etc.
- Some use of guide pricing alone, or even no advertised pricing – associated with terms like “price on application”. Some schemes still selling relatively well; with slower sales. This linked to a commonly expressed feeling that too many flats have been built in many places in recent years.
- Sales on some schemes significantly buoyed up by a wide range of developer’s own/government sponsored rent to buy/deferred purchase/ equity share schemes – in some cases effectively competing with RP provision on the same sites or locally.
- Some developers considering offers from RPs for expanded affordable housing quotas on sites; or even entire schemes for affordable homes.
- Extended development periods in some cases, with a knock-on effect of impacted sales progress because there is less for purchasers to see. Purchasers are far less likely to purchase off plan given uncertainty over

value movements. This creates a circular effect with regard to build progress on some schemes – i.e. some developers taking a view that build progress needs to be underpinned by firmer sales interest. Others are however proceeding based on prospective purchasers typically now wanting “to see what they will get” rather than being so keen to buy “off-plan”.

- Fewer investment buyers have been active.
- Significantly reduced mortgage lending and difficulties in obtaining funding on suitable/affordable terms more widely experienced by prospective purchasers, with rising deposit requirements and the low base rate climate not passed on to borrowers fully.

2.2.16 As above, despite the mixed signs and the potential makings of a more positive market picture, which continued to develop to the summer of 2010, it would be premature to say that the above effects are now a thing of the past. As outlined in Appendix III, a number of high-profile commentators have held the view that the recent degree of recovery is quite fragile. There is a view that the degree of protection of property prices seen has related to the lack of supply rather than to a genuine and significant return of confidence. From this, views develop that the market could fall back again by the end of 2010 and in to 2011. Views vary of course and the level of uncertainty is high. In the event of early to mid 2010 market trends continuing it may be that we could still see a gradually more settled picture developing. The General Election has passed and a new Government has been in place a while, but we also have underlying economic weakness, significant public sector spending cuts and continuing widespread unemployment fears.

2.2.17 In terms of study methodology, the recent and current market conditions and uncertainties are very difficult to reflect – beyond looking at an appropriate range of value levels as may be seen through varying demand for property and more specifically for new homes. We have also considered within our wider review (sensitivity analysis), variable profits and costs scenarios.

2.2.18 In our view it would be impractical for a Local Authority to move affordable housing and perhaps other viability related planning obligations targets solely in response to what could be relatively short-term market conditions and adjustments. Above all, clarity of expectations needs to be created by policy and maintained so that landowners and developers also see some stability in those positions and consistency in applying them.

2.2.19 One of the principal concerns with the recent market has been the volume of sales being achieved rather than simply with value levels. This is difficult to reflect in financial viability terms. It may affect developers’ views on risk

levels, and it may affect development and finance periods. These will in any event be site- specific factors.

2.2.20 In our view the key messages for Local Authorities in this situation are the need to monitor the market, housing delivery outcomes and trends locally, and respond to those through contingency measures and potentially reviewing policy in response to experiences and monitoring, longer term. Crucially we see this as also being about continuing a practical and flexible approach to secure delivery of all housing types, with an emphasis on adaptability - perhaps particularly in the very short-term.

2.2.21 The indicative RLVs produced by our latest appraisals have been compared with (the Government's) Valuation Office Agency (VOA) Property Market Report indications for land values for industrial and B1 (light industrial and office) land. On the 'b' suffix graphs within the Appendices we have added lines indicating the potential range of £ per Ha figures that might be relevant to local comparisons with other key existing/alternative land use values – bearing in mind the range of broad indications provided by the VOA data. For the South East Region overall the data at the point of assumptions fixing suggested typical figures for such uses of about £1.25m/Ha. The full range of land value indications for those uses was approximately £250,000/Ha to £2.5m/Ha for the South East – a very broad range, as of course will be the reality in terms of highly variable site specifics. Figures for the South West were at lower levels in terms of the 'typical' and upper land value indications. Bearing in mind the nature of Test Valley and its location in a strategic sense - motorway access, etc - (particularly in the case of Andover, the most significant commercial centre in the Borough in relation to other Hampshire centres) we considered that the typical South East commercial land value comparison levels should be reduced to some extent for these indicative comparisons. Therefore the 'b' suffix graphs allow comparison between our RLV results and a range of £700,000 to £1.5m/Ha; the typical value indication within that range being around £1m/Ha. In practice there is scope for a very wide range of comparisons to be applicable from case to case. At this strategic level, comparisons must be viewed as one indicator only, and results also viewed in terms of the absolute RLV values (in £s) generated, their %s of GDV - and judgements made.

2.2.22 Looking back at the equivalent VOA reporting for July 2007 (i.e. during the course of the previous study) we saw an indicative land price range for industrial/B1 use of £300,000 to £2.95m/Ha (typical figures up to about £1.5m/ha) – i.e. indicative values higher than the more recent range of figures (typical south east figures quoted as an example).

2.2.23 The residential land index within that report had fallen by about 37% from its July 2007 peak, to July 2009 (latest available VOA data at the point of current study research and assumptions setting).

- 2.2.24 We typically find little local market evidence of commercial land use values from agents and others, and this has been the case even more so with little commercial market activity in the recent period. The recession has, if anything, seen the commercial property market hit harder than the residential market. Comparisons will change, and the Council should be aware of these dynamics when reviewing site specific proposals and information.
- 2.2.25 Although particular examples of comparative (alternative/existing) land use values have been picked out for the purposes purely of illustration, in fact there could be a wide range of variation in the point at which a land value (RLV) is sufficient to trigger the release of the site for residential development. This point, in a particular case, could be at any level up to or, in some cases, beyond the indicative VOA figures provided. While agricultural land will rarely see values at more than say £20,000/Ha, owners of Greenfield land being brought forward will usually require a premium value in recognition of the potential and value that will be derived. This will not be at full residential development land value associated with previously developed land, but will be at a lower level consistent with there usually being no significant alternative or existing use value in such a case; perhaps alongside significant infrastructure requirements. While all of this means highly variable and site-specific outcomes, in our experience the relevant land value triggers (the points beyond which a land deal might take place after allowance for development costs and planning obligations, etc) are often up to something in the order of £300,000 to £500,000/Ha for this type of scenario. This cannot be regarded as a fixed guide, but it is another factor to be borne in mind when thinking about the wide-ranging land values, overall, that could be relevant to local housing delivery.
- 2.2.26 There may well be a range of other scenarios experienced, including garden land/paddocks and former commercial uses where no current market for that use or an alternative other than residential exists – thereby affecting the comparisons and possibly the land release trigger points in a particular case. It is important to keep in mind that there will only be a genuine alternative or existing land use value as part of a comparison where there is an established ready market or purchaser for that existing or alternative use – at the relevant price level.
- 2.2.27 While the study remained open, any additional information that we gleaned from our discussions with local commercial as well as residential agents, and from web-based desktop research, is summarised within Appendix III alongside the residential property values information.
- 2.2.28 The basic methodology (residual land valuation) was the same as used in the previous modelling carried out in 2007 but since that time various components of the modelling have been updated to reflect current and potential future circumstances, bearing in mind the purpose of updating this

strategic overview. The range of assumptions and how those have altered generally from the original study, for this study update, are set out at 2.3 below. The other aspects of the approach to appraisals, and assumptions, have remained as per the previous study work.

## **2.3 Other assumptions varied from the previous study**

2.3.1 Other key assumptions applied in this update study are as follows:

- **Base Build Costs** (applied to the gross internal area of the accommodation):

As before:

Houses: £1,000/sq m

Flats: £1,150/sq m

And this time also considered at increased levels of:

Houses: £1,150/sq m

Flats: £1,250/sq m

We consider it worth re-iterating our previous points about the types of judgements that need to be made in setting assumptions on the various input areas. Build cost figures have been taken as an indicative base level, supported by our discussions with developers and others, whilst also taking account of a range of information from the RICS' BCIS (Building Cost Information Service) data.

There will always be a range of opinions on, and methods of, describing build costs. In our view we have taken a reasonable view which lies within the range of figures generally discussed for typical new build schemes rather than high spec or complex schemes which might require particular construction techniques. As with many aspects there is no single appropriate figure in reality, so a judgement on some form of benchmark is necessary.

We are aware that the developer's base build costs can be lower than our above base cost figures, and also that the BCIS tends to indicate lower figures. In contrast however, there is much said about costs being higher than this, often in the context of Registered Providers ('RPs' – which term now includes former 'RSLs') procuring new housing through contractors and developers. So a view needs to be taken, and then monitored, tested and updated as informed by the experience of site specifics, negotiations and (from the affordable housing perspective) in light of funding availability and affordability for occupants.

There is no land cost element at all allowed for within this particular assumption.

Revised Build costs have been considered this time to take into account potential increased costs, including in relation to Lifetime Homes, and bearing in mind what foreseeable future market trends might hold. Although at the time of this review our understanding is that build costs have fallen during the recent times of depressed activity levels, this trend could soon be reversed. A strategic view needs to be taken and, overall, it was felt appropriate to increase the build cost assumptions from those used previously. Please see also the following notes on the Code for Sustainable Homes in this regard – an additional assumption for this second update. In our experience, we allow for build costs at higher levels than some seen on market housing schemes. However, we feel it best to look at cost side assumptions which, when viewed in the round (collectively) include some scope for rises from current typical scenarios. As part of keeping familiar with its local market, development activity and viability the Council could seek updates of this and other information periodically.

Towards the end of Appendix III we have included a short section indicating build cost trends, sourced from the BCIS.

- **Code for Sustainable Homes (CfSH) & Renewable Energy**

*As a new base assumption for all schemes and scenarios, it has been assumed in this study that all units comply with increased Building Regulations requirements equivalent to Level 3 CfSH compliance.*

CfSH Level 3 became mandatory within Part L (Conservation of Fuel and Power) of the Building Regulations on 1 October 2010.

The base appraisals (Appendix II) assumed an additional cost sum of £50/sq m over the base build costs above. The assumption was based on the July 2008 Code for Sustainable Homes cost review for CLG, by Cyril Sweet, current at the time of our assumptions fixing.

Subsequent to that study stage, there has been a March 2010 Cost Review issued by CLG in relation to the Code which, for the purposes of the overview study would not significantly alter our level of cost addition assumption for this matter (since in practice all sites, designs and construction solutions will vary).

This level of added cost remained included in all appraisals and is reflected in all Appendices except those which include a *further increased cost level to reflect improvements equivalent to attaining CfSH Level 4* – where the added cost level was £100/sq m – source as above (Appendix IIb).

Much is said about how the technologies and their availability are likely to develop with demand and a more established marketplace in this area. While this could well mean that added cost allowances are lower in the future than the current view suggests, we cannot assume that for this study. We must also be mindful that it will continue to be necessary to consider where total costs are (so keep base costs in mind too), and not just additions. The current view of base costs plus enhancements will probably change as these aspects of specification become more the norm.

In the case of all appraisals the stated allowances have been made in respect of all dwellings within a notional scheme (private and affordable homes).

- **Lifetime Homes**

*Allowance included and acknowledged as potential variable cost issue (depending on design and interpretation in relation to the 16 standards and other requirements, etc). Approximated at between £165 and £545 per dwelling based on minimising additional costs when planned and designed-in rather than adaptations having to be made or the aspects tackled at too late a construction stage.*

*Source: Habinteg Housing Association.*

- **Developer's Profit**

*Base assumption increased from 15% of GDV (i.e. of Gross - or total - Sales Value) to 17.5% of GDV. This has been applied across all appraisals except those where, on a sample basis, a reduced from base level (as previous) of 15% GDV has been tested, as well an increased level of 20% GDV (Appendix IIc).*

It must be acknowledged that profit levels can vary. Figures outside the range assumed for this strategic study purpose might be justified, depending on the development type and therefore the risk reward scenario and/or funder's requirements. The 17.5% base assumption level coincides with the 2009 updated guide position used within the HCA's Economic Appraisal Tool. Note that Gross Development Value means total development value – the value of the scheme when completed (receipt level to the developer). The sample of appraisals tested at 20% developer's profit build on our acknowledgement that profit levels vary. In recent market conditions we have seen a range of profit outcomes relative to these benchmarks – both going below the original 15% (where profit compromises have been made to support viability and move a scheme on; hence we revisited sample appraisals at 15% too), and above (where increased risk views influenced criteria).

In accordance with the HCA Tool guideline assumption, we have included for a 6% profit on the affordable housing revenue.

- **Costs related to construction cost based fees and contingencies**  
*have been increased – to a total of 15.5% of build costs - principally through an increased contingency allowance (reflecting what we have tended to see in the uncertain development climate).*
- **Finance costs**  
*Although not altered from previous, mentioned here because while we have seen a historically low base rate climate (base rate maintained at 0.5%), finance costs have remained relatively high and not reflective of that background.* House buying and development finance remains relatively difficult to access – at least on favourable terms, related to the risks perceived by the markets and to the fact that lending between institutions is still not working on terms or to the extent that had underpinned the active market in preceding years. We have seen a climate recently (and this continues) whereby rate reductions have tended not to be passed on, certainly not to a significant degree, to borrowers, and where other charges (arrangement fees, etc) have weighed against any cuts. So far as we can see, similar applies in a commercial sense. In summary, at the time of writing, we have no reason to believe that the commercial lending climate has eased significantly even with the Bank of England base rates maintained at 0.5%). We have not increased our assumed finance costs beyond the selected level because this strategic study needs to be based on assumptions which might vary over with time rather than underpinned only on uncertain market based assumptions.
- **Planning Application costs**  
*Increased to £335 per dwelling.* Note that at the time of closing the study, the Government is considering the possibility that planning application related fees might be set locally in future.
- **Wider Planning Obligations (Infrastructure payments)**  
*Increased as a base assumption to £5,000 per dwelling – all dwellings (compared with £4,000 at the point of the 2007 update) applied within all appraisals except those where we tested an increased assumption of £10,000 per dwelling as part of considering the impact of potential future increases in the scale of planning obligations packages; or indeed other areas of cost (Appendix Ild).*



- **General notes**

**Specific assumptions and values for our notional schemes may not be appropriate for any particular actual development. As with the original work we are confident, however, that our assumptions are reasonable in terms of making this viability overview and thus in the context of the Council's strategic approach which will include considering and setting clear policy targets to guide expectations and the negotiated approach to provision. The study is not intended to be used in any other or wider context.**

We reiterate the context of the assumption setting from the previous study work:

As this is a relative exercise aimed at determining the likely effect of a range of potential policy positions, a key factor is consistency between assumptions used for modelling scenarios while the affordable housing assumptions are varied.

The interpretation of results also means making judgements. The point at which a landowner decides to sell might be highly variable in practice. What will be acceptable as a land value and will therefore see a site released might depend on a range of factors including personal/family reasons, tax or business planning, relocation, etc. It is simply not possible to provide specific RLV based or other cut-off points at which developments move from unviable to viable. A range of site specifics will determine this. Existing or alternative land use value tends to be highly sensitive to location, type and condition of any existing property and to what extent a market exists for a particular use or property at a given time.

We have commented on the variable nature of the commercial property market too, for example, and on how comparisons between different uses will vary over time.

There will be situations where an owner requires a level of incentive or "overbid" above an existing or alternative land use value. For the above reasons, again this is not a consistent factor. It is highly variable and not something that can be estimated in way that is relevant as even a guide for a wide range of scenarios or a strategic overview for policy development.

During the closing stages of this update study, there is much being said about the future potential role of various tenure forms and rent levels for affordable housing. We could see the terminology and models changing. In tune with our various acknowledgements that scheme specifics will vary, these variations could include the levels of payments made to developers by Registered Providers ('RPs', including former 'RSLs') as supported by the varying revenue streams that different models provide for the RPs.

### **3 OUTCOMES and RECOMMENDATIONS**

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#### **3.1 Overview – features and trends**

- 3.1.1 This report section summarises the outcomes of this update study – a combination of results, conclusions and recommendations. The key recommendations relating to the ongoing scope for policy development, following this review, are shown in the boxed text sections. The following section (4) summarises quickly in a table the parameters we consider the Council has for its ongoing review of this area of policy development. The final section (5) provides further points and reminders developed from our experience and findings.
- 3.1.2 We will not go into the detail of the results here as those are shown in the appendices, and the results follow the same general patterns and trends as seen in the previous study work.
- 3.1.3 All in all, a mixed set of viability outcomes is indicated – given the variation in value levels seen overall, likely to be seen through varying market conditions and dependent on how those combine with the various assumption inputs (particularly the varying wider development costs and obligations applicable alongside affordable housing). The range of variables explored besides values varying widens this range of outcomes.
- 3.1.4 The following trends and points are indicated by this strategic overview work, based on the assumptions applied for the purposes of the study and policy consideration, and are not definitive as to how site specifics will play out.
- 3.1.5 Lower end values in the Borough (e.g. parts of Andover) provide limited scope for supporting wider planning obligations (infrastructure) alongside meaningful proportions of affordable housing. Bearing in mind that development costs in practice would vary with site specifics rather than necessarily through location, schemes brought forward in higher value areas tend to have more scope to bear a range of costs and obligations (subject to site specifics and particular land value requirements). All references to Value Points (VPs) here are to the latest points, not to the former ones, following their updating and our expansion of the values range considered.
- 3.1.6 Viability improving from VP 1 through to VP 6 – i.e. increasing RLVs with increasing property values (increasing VP level) driving the appraisals, as would be expected. It follows that viability improves with each step up in VP – i.e. as will be seen with location within the Borough (e.g. parts of Andover compared with most other locations) and will also be seen in the event of market conditions supporting rising or increased values again.

- 3.1.7 The appraisals indicating the weakest viability outcomes are where the highest proportion of affordable housing is required at the lowest value points.
- 3.1.8 The greatest reductions in RLV are where affordable housing is required for the first time (on sites of fewer than 15 dwellings). This “first time impact” of potential policy, if pursued, is a key factor to bear in mind and in proposing the consideration of sliding scale type principles.
- 3.1.9 Results have deteriorated from previous levels, as would be expected, through increased wider scheme costs including Code for Sustainable Homes, increased base build costs (where applied within the latest appraisals for additional review of sensitivity) and other planning obligations - rather than through affordable housing requirements (which broadly have remained as previously envisaged in terms of the proportions (%s) explored).
- 3.1.10 Given that by the spring of 2010 (i.e. at the time of reviewing the study assumptions this time) values were only about 4.5% below their mid 2007 (previous study assumptions) levels, the main driver of reduced RLV outcomes is the range of added cost assumptions applied this time. The changing values we have seen, as affected by market movements, would not in themselves point to a revised policy approach especially as a good degree of certainty needs to be provided for the development industry. Once again, we do not consider that it is logical or helpful to move policy targets around as a response to varying market conditions; those will vary sometimes rapidly and unpredictably. Only in the event of a permanent or long-term shift in value levels could we see an approach of moving targets in response being appropriate. Instead, the practical application of the targets is most likely to be the key. Over the plan period, a variety of market conditions and values trends are likely to be seen.

**Recommendation 1:**

**Targets should be clear and provide for certainty of expectations by the development industry.**

**Recommendation 2:**

**The targets should provide a basis for a practical negotiated approach to housing and affordable housing provision which considers and is responsive to viability factors where necessary as case specifics are discussed.**

**Recommendation 3:**

**The policy wording and supporting approach should acknowledge this basis and the role of viability.**

- 3.1.11 Whilst in some cases we acknowledge that we may be over-allowing some degree on the costs side, particularly when assumptions are viewed collectively, the general trend in requirements and obligations levels that we see throughout our widespread study work means the collective burden becomes an increasingly significant factor. It means not being over-ambitious with affordable housing or other obligations sought – with Borough level and perhaps sub-area priorities considered. Again, this points to a continued emphasis on targets, practically applied. On the assumptions used, the notional flattened schemes were generally less viable (produced lower RLVs) than the housing schemes. The mixed scheme outcomes were also less positive than the all housing ones.
- 3.1.12 As with all of our previous studies, there is nothing within the results to suggest that smaller sites are any less or more viable than larger ones. Viability will come down to site specifics. Site or scheme size is not a determinant of viability in itself.

**Recommendation 4:**

**Consideration of lowered thresholds, Borough-wide, should be continued. There is scope to lower or effectively remove thresholds, subject to considering the affordable housing approach proportions (% targets) that will apply.**

- 3.1.13 There are, however, two features of smaller scheme (meaning those schemes beneath current policy thresholds, i.e. of fewer than 15 dwellings) outcomes which point to them requiring sensitive consideration in policy development. Firstly, as above, they are impacted for the first time if brought within policy scope. This is very significant news in terms of land value expectations. Secondly, the usually smaller development values created may be closer to (more marginal in comparison with) existing or alternative use values.
- 3.1.14 Generally, an increased 20% profit requirement is not indicated to have a critical effect on viability in its own right, but will be important to bear in mind as part of the collective scheme costs and its effect could be much more in focus on lower value schemes where there is less scope to support development costs; an effect that is emphasised with increasing costs (in this

sense, development profit is legitimately described as a development cost – it has to be allowed for at an appropriate level).

3.1.15 Again, it has to be borne in mind that the costs assumed for the purposes of this study will vary from site to site. Build and other costs are likely to vary. As examples, in the short-term build costs could remain relatively low or be lower; in the longer-term build costs are likely to rise while finance issues could ease. It must also be remembered that the costs assumed for increased specification for enhanced Building Regulations aligned to the Code for Sustainable Homes criteria are based on known present estimations and indications of prices. Currently the assumptions cannot allow for potential improvements over time to technological advances, the markets for these and cost savings that could be made as more innovative ways are found to meet the requirements of the Code for Sustainable Homes. Developments such as these could all have a positive impact on development viability over time (relative to the current assumptions on these aspects) particularly as the benchmarks for meeting standards increase and such increased requirements become more the norm. As above, the dynamics of this will need to be monitored. All in all, how changes to these variables interact with each other will vary with time and by site.

3.1.16 The latest results all indicate the reducing scope for development to carry the cost of affordable housing plus other planning obligation requirements and additional cost burden of the environmental sustainability measures as the collective impacts on schemes increase.

3.1.17 As RLVs associated with development or redevelopment schemes reduce with a falling market and/or rising scheme costs, whether or not sufficient land value is created to incentivise a landowner to sell (or to match or better an existing or alternative use value) becomes more marginal. We have compared our indicative RLV outcomes with the Valuation Office Agency (VOA) Property Market Report indications for industrial/B1 land values – as examples of the types of comparison that could be relevant to scheme specifics. As discussed earlier, a range of other land value indications at lower levels might also be appropriate as comparisons – there will be a wide variety of scenarios. Site specifics will often determine whether an owner is going to be sufficiently incentivised to sell. It is simply not possible or appropriate at this strategic study level to assume a given level of “overbid” or incentive to sell as some form of viability cut-off. In practice this will depend on the usually highly specific existing/alternative use scenario or potential, and could also depend on a wide range of factors that may have varying influences, such as:

- Whether there is an established use.

- Whether there is a ready market or purchaser for that; or for an alternative.
- Family circumstances – inheritance, tax planning, family business, etc.
- Business – relocation, closure, merger, etc.
- Local market factors, regeneration, traffic flows changing, etc.
- Higher land value expectations flowing from the general tone of high property values in many parts of Test Valley – can counteract the strength of those RLV results.

### **3.2 Outcomes – trends in relation to values**

- 3.2.1 VP 1 only produces land value (and then usually only at only a nominal level unless to be compared with low existing/alternative land use values) with the more favourable assumptions – previous level of build costs, generally no (0%) AH, lower end profits, no more than £5k planning obligations/dwelling. VP1 outcomes are generally poor, in summary. There is some evidence of values at these levels in the Borough (certain Andover areas, primarily) but we do not regard this as a typical picture.
- 3.2.2 VP2 begins to produce instances of meaningful land values, but again generally only with the more favourable assumptions – especially with the previous build cost levels (Appendix II) and in that case with perhaps 20%/30% AH – but generally not 40% (again unless being compared with low value alternatives). Similarly these scenarios appear unlikely to work alongside enhanced CfSH to level 4; increased wider planning obligations; 20% developer's profit.
- 3.2.3 VP3 might be viewed as a turning point at which more scenarios have the potential to start working – produce approaching/around/over say £1m/ha, indicatively – but again generally not with the higher costs and profits; often 30% or more affordable housing.
- 3.2.4 VP 3-4 or 4 values levels appear to be needed/become that turning point where higher costs and profits are to be met while up to 40% affordable housing is more regularly achieved.
- 3.2.5 VP 4 and higher value levels look likely to be needed to support 40% affordable housing alongside increased cost and profit scenarios. So requirements such as CfSH 4, £10,000 per dwelling average wider planning obligations level and 20% profit alongside 40% affordable housing are likely to need values at these levels or higher to drive their viability – to create sufficient scope for increased collective impacts on schemes.

### **3.3 Headlines for policy, including larger schemes**

- 3.3.1 We have found very limited viability based justification for varying the policy requirements either by geography or related to smaller/larger settlement types. We consider that scheme viability in the Borough will be influenced more by site specifics than by generic scheme type or location (e.g. smaller/larger; urban/small settlement, Andover/other, etc).
- 3.3.2 This indicates the suitability of a common policy approach, Borough-wide – for clarity of expectations and as the basis for a practical, negotiated approach.

#### **Recommendation 5:**

**To consider a single, clear set of policy positions for application across Test Valley – relevant to all areas and location/site types.**

- 3.3.3 As a headline for this, a target set at 40% affordable housing would be challenging, including in the longer-term in the event of an improved market, but especially in the current market and when combined with general trends on some areas of development costs and obligations – for example sustainable construction requirements and potentially increasing wider planning obligations.
- 3.3.4 However, an appropriate balance has to be struck between the opposing tensions of need and viability. In the Test Valley context we think a 40% headline, beneath which other policy elements could respond to the various sensitivities we discuss, would be appropriately pitched in all the circumstances as a strategic position. It would amount to an appropriately challenging position in the local context, given the need levels and incidence of higher values particularly in a more active market.
- 3.3.5 We envisage a 40% target would be allied to a scheme size of 15+ dwellings - across all site/area/location types.
- 3.3.6 A higher proportion as a target is not likely to be workable frequently and not recommended for consideration.
- 3.3.7 A lower proportion as a target (for example 30%) would in our view lean too far away from needs towards viability. Therefore, it would not strike that balance and would represent a short-term rather than a more strategic view, which would be out of step with targets and work in progress in other nearby local authorities, as well as in other areas with shared characteristics.

**Recommendation 6:**

**As the headline, an appropriate affordable housing headline policy target would be 40% on schemes of 15 or more dwellings.**

- 3.3.8 Within the parameters of the suggested larger sites target of 40% and the reduced proportions/equivalent proportions discussed for the smaller sites below, amongst the suitable policy options there is a possibility of an intermediate position (target of 30%) at say 10 dwellings. This could be as part of an overall “sliding scale” type approach to policy development.
- 3.3.9 On this theme in general, whilst a sliding scale can appear more complex as a policy and potentially need more resourcing in terms of guidance and discussion, it can have helpful effects in terms of reducing the size of the gaps between steps in policy requirements. If the Council can also justify the need to include a wider range of sites from its wider evidence (on need and site supply, for example) and therefore is set on that approach, then the sliding scale should reduce the incidence and level of negotiations compared with the straight introduction of, say, a 40% target affecting smaller sites for the first time.

**Recommendation 7:**

**The application of Sliding Scale principles is recommended for consideration on schemes beneath headline Recommendation 6 i.e. schemes providing fewer than 15 dwellings.**

**Recommendation 8:**

**Within the sliding scale approach, seeking 30% on-site affordable housing on schemes of 10 to 14 dwellings would be appropriate.**

- 3.3.10 On a similar note, at various stages through the study period we have considered with the Council various approaches for the rural/area smaller settlement sites of 5+ dwellings (5 being the current affordable housing policy threshold for sites in those locations).
- 3.3.11 If the Council has compelling experience of successfully and regularly delivering rural area/smaller settlement schemes of 5+ dwellings including the currently required element of on-site affordable housing, and that has contributed significantly to rural/villages housing delivery (both market and affordable) then it will be obliged to consider an approach beyond our sliding scale principles for those schemes and areas – a continuation of the existing approach, or similar. We cannot advise against that if the wider evidence track record supports its continuation, bearing in mind the needs levels. However, we recommend close consideration of this aspect, as our



experience and study findings suggest that a renewed approach, along the lines of the sliding scale, may now be preferable for that balance between needs and overall housing delivery.

**Recommendation 9:**

**The Council should review its general market and affordable housing delivery experiences and track record and particularly in respect of the existing policy threshold of 5 dwellings for the rural areas/smaller settlements – to see if that points away from our favoured sliding scale type approach to smaller sites in general.**

### **3.4 The scope related to smaller schemes**

- 3.4.1 Where high levels of affordable housing need exist and local site supply determines that large numbers of schemes and dwellings fall outside the policy scope, as they do currently and especially in the Test Valley urban areas/larger settlements, our view is that a more equitable approach overall can result from seeking appropriate affordable housing contributions from a wider range of sites. We have reiterated that smaller schemes are not necessarily more or less viable than larger ones. Site or scheme size in itself is not a determinant of viability. In essence, this all pulls in the direction of having to seek to optimise affordable housing provision locally, as far as the resources and local characteristics will permit.
- 3.4.2 So, to reinforce the tone of our previous work, amongst the policy options the Council may consider lowering the scheme size threshold for on-site affordable housing provision within the urban areas/larger settlements (from the current threshold level of 15 dwellings applicable in those areas). The Council already seeks affordable housing from schemes of 5 or more dwellings in the smaller settlements/rural areas. Whether on or off-site (by way of financial contributions), sliding scale principles should be considered in our view for newly captured schemes, meaning reduced proportions (%) of affordable housing sought from smaller sites not currently within the policy scope.
- 3.4.3 We consider that carefully judged policies relating to smaller sites than currently within the policy scope would be viable, and could be made workable from a practical point of view. As with all such policies, their workability would depend to a large extent on early knowledge of policies and so appropriate clarity for, and land value expectations on the part of, landowners and developers.

- 3.4.4 There is no single right or wrong answer in terms of viability, to suggest which threshold point(s) would be viable and which would not. Thresholds have always been arbitrary to a degree. They need to be considered alongside the affordable housing proportions and other factors relevant to the funding and provision, but even then a review generally provides guidance and scope in our experience - rather than firm cut-offs driven by scheme viability. The reduction or even effective removal of thresholds may contribute to a more equitable overall approach. There may be lower risks, and smaller planning obligation burdens, on smaller sites but, conversely, there might not be the same opportunities for savings through economies of scale. There is a range of factors which could well balance out or alter outcomes either way dependent on the circumstances. The outcomes relate to site specifics, crucially including value levels; again it is simply not possible to say that a smaller site will be more or less viable than a larger one. In any event, thresholds should be considered alongside the proportions rather than relying on larger sites to carry a greater burden.
- 3.4.5 In addition, the practicalities of delivery on the very small sites may be more of an issue than viability alone, for example scheme design/integration of affordable homes with the market housing, sustainable management, dealings with Registered Providers (RPs) (including ex-RSLs), marketing issues and perceptions, isolation of tenants, affordability, etc.
- 3.4.6 Relatively dispersed affordable housing stock can also result from an affordable housing requirement on very small sites, which may be an issue for RPs from a sustainable management perspective, and this needs to be considered. Our Local Authority and RP clients and contacts have taken varying views on the sustainability of this. The Council could seek views from its RP partners in considering its approach, particularly to the smallest schemes.
- 3.4.7 These aspects are likely to point to a financial contributions approach being the most suitable and practical in our view on the smallest schemes, certainly for schemes of fewer than 5 dwellings - if those are to be brought within the policy scope.
- 3.4.8 While in practicality terms we suspect that affordable housing could be sought on-site on schemes of 5 or more dwellings as an option (as it is in the rural areas/smaller settlements at present), we think this level of adjustment to policy for urban area sites could have a significant impact at this sensitive stage of policy development (particularly given recent and ongoing market uncertainty); and might be challenging and resource hungry to implement locally.

**Recommendation 10:**

**While there is scope to lower thresholds universally (as per Recommendation 4) for schemes of 1 to 4 dwellings a financial contributions approach should be considered if those are to come within the policy scope. Although in general the Council will need to seek to achieve direct provision through on-site affordable housing as a priority, an on-site approach is not recommended as the starting point for schemes of fewer than 5 dwellings.**

- 3.4.9 However, the Council will need to consider its delivery track record from the small schemes (of fewer than 15 dwellings) in its rural areas/smaller settlements to date. There may be a very good case for a continued approach to seeking on-site affordable housing at that level, and for considering a similar approach for the urban areas. Evidence other than this viability study needs to be considered.
- 3.4.10 On the small sites in particular, the Council would have to bear in mind the actual sums of money likely to remain available for land purchase after the introduction of a financial contributions approach (as well as per Ha, RLV as % of GDV and other indications). It is simply not possible to define absolute cut-off points where a certain level of contribution will always be viable, and where it will not. As above, this is due to a number of factors including landowner's expectation, existing use and potential alternative uses of a site, potential incentives, etc. The approach would need to be based on targets and, where necessary, negotiation – just as with on-site affordable housing delivery.
- 3.4.11 In viability terms, a financial contributions route could be applied to any group of, or all, sites within the 1 to 9 dwellings range as appraised; or even looking wider – at the 1 to 14 dwellings range (i.e. beneath the current 15 threshold for urban areas).
- 3.4.12 Assuming that its scope was not applied beyond 10 dwellings schemes as per our discussions with the Council and appraisals scope, our view is that, if pursued as part of policy, this route should be aligned to an affordable housing equivalent proportion of not more than 20% - as a target. We have sought to provide what we consider to be appropriate parameters for this. Appendix IIe provides a range of contribution sums indications (by dwelling type and value point) and from those a range of RLV outcomes through applying 20% to 40% affordable housing equivalent proportion (also compared with 0%, being the current effective position for such sites).
- 3.4.13 On the scenarios appraised for this update, and as with the notional on-site affordable housing scenarios, the lowest value instances provide little or no

scope for scheme viability and therefore for these contributions – even at a 20% equivalent affordable housing proportion. Unless there are particular circumstances such as a low existing or alternative land use value supporting scheme viability, it appears that generally VP2 to VP3 level values and higher would be needed to support contributions at this level alongside the other costs and obligations assumed.

- 3.4.14 Generally, however, the variation of values and incidence of higher values, perhaps especially on the smaller schemes where the approach would be relevant, a 20% equivalent proportion is suitable as a target.

**Recommendation 11:**

**If applied within the 1-4 (or 5-9 or 1-9) dwellings scheme size range, seeking financial contributions related to an affordable housing equivalent of not more than 20% would be appropriate.**

**A potential calculation route and indicative financial contributions levels have been provided, but it is appropriate to consider the detailed aspects of these beyond the Core Strategy stage – as SPD or other less strategic components of the LDF are developed and updated.**

**Recommendation 12:**

**An overall strategy that includes the collection of meaningful financial contributions in some scenarios does have the potential to act as an additional enabling tool for the Council, particularly in times of funding uncertainty.**

**However, the Council will also need to consider this potential route in the context of, and alongside, needing to prioritise the direct provision of affordable homes wherever possible – possibly on schemes of 5 or more dwellings (e.g. 5 to 9 dwellings). It could look at on-site provision as the starting point in those cases, for example.**

**It follows that whilst a similar (financial contributions) approach could also be considered beyond 10 dwellings (so to sites of 10 to 14 for example) as an alternative, certainly by that point we expect that there will need to be a focus on securing on-site affordable homes integrated within the market developments, in all locations.**

- 3.4.15 We have looked at the contribution level proportionally by value point (and dwelling type) rather than by applying a single sum regardless of the private

scheme type (dwelling types and mix). That type of “one size fits all” approach to the calculation is an option that could be considered and it would certainly be very positive for clarity and simplicity. However we consider that it would need to be further weighed-up in developing the detail of the approach – e.g. through the contributions strategy mentioned at SPD.

- 3.4.16 If this aspect is developed, the Council would need to have an accompanying and openly available strategy through which to manage its approach and records on the collection, monitoring and allocation of financial contributions.
- 3.4.17 The Council would also need to assess the fit with its wider approach, including any local application of the CIL (or similar/equivalent thinking that might be introduced by future Governments) – whether short or longer-term. Our understanding is that affordable housing is likely to be distinct from any CIL (or similar) scope, although a great deal is currently under review and uncertain following the recent election of the new Government.

#### 4 Policy development parameters for the Council's further consideration - Scope of recommendations – QUICK SUMMARY

Figure 2: Summary Scope for further consideration of policy – In viability terms only

Site Size Range (no. of dwellings) related to potential threshold position(s)	Potential Policy Option (% target)	On-Site	Financial Contribution
1-4 (potential scope to include these smallest schemes)	0%	✓	✓
	10%	X	✓
	20%	X	✓
	>20%	X	X
5-9 (likely priority of on- site provision, but operate practically)	0%	✓	✓
	20%	✓	✓
	>20%	X*	X*
10 -14	0%	✓	✓
	20%	✓	✓
	30%	✓	✓
	40%	X*	X
15+	0%	X	X
	20%	✓	X
	30%	✓	X
	40%	✓	X
	40+%	X	X

\*Note - Rural/small settlement threshold of 5+ dwellings may be subject to consideration beyond 20% affordable housing target depending on the Council's delivery experiences with regard to its existing 5 threshold for those areas.

Where:

- ✓ = workable policy option
- X = outside scope of recommendations

Green shaded cells within the table at Figure 2 above represent Adams Integra's suggested route(s) through these parameters (as targets) in accordance with the above report commentary and key recommendations.

## **5 Reminders and further points to consider**

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- 5.1.1 Challenging targets can and should be set, driven by the extent of need – but so that an appropriate balance is struck in determining policies overall, between the opposing tensions of needs and viability.
- 5.1.2 We reiterate our view that it is impractical to adjust targets up or down on what could be a regular basis in response to market movements or other particular viability issues. Such an approach would not provide clarity. In turn, landowners and developers would not be certain in terms of expectations and what those meant for land values and early stage feasibility studies of scheme proposals.
- 5.1.3 In terms of interpretation of results and making of judgements for recommendations, that has to be viewed in the longer-term strategic context of the development plan time span and objectives, and the imbalance in the local housing market (lacking affordable supply). Any study such as this has to assume a market that at various periods in the plan timescale will supply private homes and therefore a proportion of affordable homes with more confidence and at a greater rate than seen recently – this whole area of policy is based on that starting point, not just locally.
- 5.1.4 We cannot predict what impact market trends will have on the relevant value levels as time moves on, but the Value Points methodology means that the Council is able to consider the sensitivity of likely outcomes to changing values levels – either by location and/or over time. Our studies consider land value impacts from a cautious viewpoint. This is an approach we have adopted through several years of carrying out such studies, as it is not appropriate not to take an over-optimistic view of financial viability, even in more buoyant market conditions.
- 5.1.5 We think it unrealistic to expect to update the viability study work wholesale on a very regular basis in response to emerging or changing requirements and market trends over a short period of time. Instead, we think it more relevant and appropriate for the Council to continue monitoring overall obligations levels ("collective impacts" on schemes). Related to that, the Council will need to adopt flexibility in its approach to the type, level and timing of planning obligations – including, but not limited to, affordable housing requirements. This will particularly be required where clear and robust evidence of site viability difficulties is presented.
- 5.1.6 In any event we encourage the Council to maintain its knowledge of the local market and development activity through data such as we have collected, keeping an eye on the pricing of developments locally and the market for varying scheme types, etc. This would assist with maintaining a feel for development viability from the base point this study provides. Information

gathered and reviewed could be similar to that we have considered, but this does not have to be the case specifically. Our message here is that through tracking local prices, new build and RP activity, etc, the Council will be better placed to judge site specifics. Considering the context of its delivery experiences in this way will also help to inform the Council's ongoing housing strategies and any need for review or contingency measures in response to the impacts of the policies selected.

- 5.1.7 If it is to pursue an approach to include smaller sites, which we recommend it considers, the Council would need to factor in the drivers behind such an approach, wider evidence for it and therefore the likely benefits from it – i.e. looking at local characteristics, needs and site supply patterns for example. It would also need to consider exactly how that would be applied and be set out in terms of detail and guidance. A transparent strategy and accompanying openly available records would be needed to underpin a financial contributions approach – for planning, allocating funds and monitoring. Adequate scheme viability would not be sufficient alone to justify this type of approach.
- 5.1.8 As a part of considering the detail for clarity and practical application, the Council will also need to consider and set out whether the policy principles would apply to all new dwellings or whether there should be exceptions. As with all policy positions, there should be clarity as to whether it applies to all or only to net new dwelling numbers (i.e. after allowing for any existing dwellings on a site or within a conversion). In our recent experience, the Planning Inspectorate has often looked to a net application of policy particularly on the smallest sites, and has considered the detail particularly relevant on those sites. This is because, in comparison, a gross approach can produce a very different viability outcome. Whilst larger schemes tend to be less affected by this sensitivity, very small schemes can see greatly varying implications and impacts, depending on the detail. A net approach is usually most suitable in our experience, particularly for operation with the smaller schemes that the Council's policy development processes will continue to consider. This coincides with the Council's current approach, which is to operate existing policy on a net additional dwellings basis.
- 5.1.9 In practice, numbers rounding can play a significant part in the affordable housing that can be expected, and its impact on viability. This does not affect the financial contributions route since that can account for a direct calculation – part dwellings do not affect the payment level. This can be an attraction of that route. The factor needs to be borne in mind for on-site requirements, especially on smaller sites. This can often be best dealt with through negotiation around the scheme specifics as the affordable housing is not just about numbers of dwellings but is also about type, size, mix, quality and tenure of the homes. Furthermore their specification, funding arrangements and other factors will also affect what can be delivered in the particular



circumstances. The Council will be looking to work closely with developers, land owners, the Registered Providers (which include former 'RSLs') and other stakeholders to optimise what can be delivered to best meet local needs given the specifics. We understand that the Council currently has no firm position on numbers rounding and will continue to consider how this might affect specific types of scenarios.

5.1.10 This study necessarily provides an overview of viability. It is not a substitute for site-specific appraisals or intended to prejudice any such discussions. A second layer of site-specific work would normally take precedence, based on more specific information relating to the particular circumstances – where viability is soundly demonstrated as an issue. This study is intended to support the Council's policy consideration processes, and should not be relied upon by others, or for other purposes.

5.1.11 Amongst the wide range of variables discussed, the importance of considering existing and/or alternative use values, and perhaps incentive/"overbid" levels of value, has been acknowledged in the study. These, again, are highly site-specific factors in practice. Commercial values are very sensitive to market conditions and specific location. It is not normally possible in this type of strategic overview exercise to provide specific viability advice as to whether certain value levels will be outweighed by those produced by particular residential development proposals. Site specifics will need to be considered, in light of the clear target and practical, negotiated approach advocated in this report.

5.1.12 It is worth noting again that the commercial property market has also experienced a dramatic downturn, with demand in general for commercial premises and values consequently having fallen very significantly. This means that, over time, the nature of comparisons made between residential development values and some alternative use values will vary. It reinforces the scheme-specific nature of such considerations.

5.1.13 The study advises only in respect of viability and, where appropriate, practical housing and development issues, based on our findings and experience. It does not deal with the wider issues and planning scope to pursue particular policy options or approaches.

5.1.14 The study and specific (individual) appraisal results are necessarily based on gathering information and making assumptions at a particular point in the study process. However, a wide range of appraisals has been undertaken and the application of Adams Integra's Value Points methodology allows these to be considered in light of varying value levels as the market moves (and /or by location) – the most important single driver of the appraisals. The approach embraces the need for the Council to consider set an appropriate strategic approach, rather than a short term/purely reactive one.

5.1.15 Given that a range of assumptions have needed to be made on areas such as planning obligations costs, movements in such factors should be kept in mind and the study revisited or updated should those materially alter so as to affect the relationship between values and costs. In the same way, the growing areas of sustainable construction (for example the Code for Sustainable Homes alignment of Building Regulations, renewable energy and other sustainability issues) should be monitored – regarding how they might further develop and influence development costs accordingly (and perhaps even influence values, in the longer-term). If the Council seeks to make significant policy changes in such areas, then those may well need to be considered in light of the collective costs and any effects on development viability.

**End of update report text  
Appendices follow  
Completed November 2010**

## **Appendices**

<b>Appendix I -</b>	<b>Development Scenarios</b>
<b>Appendix II -</b>	<b>Base appraisals</b>
<b>Appendix IIa -</b>	<b>Increased build costs</b>
<b>Appendix IIb -</b>	<b>Code for Sustainable Homes (Level 4) review - sample</b>
<b>Appendix IIc -</b>	<b>Varying developer's profit review - sample</b>
<b>Appendix IId -</b>	<b>Increased wider planning obligations review - sample</b>
<b>Appendix IIe -</b>	<b>Review of financial contributions approach (1 – 9 dwellings)</b>
<b>Appendix III -</b>	<b>Property Values Report Update</b>

## **Appendix I**

Appendix I - On-Site Development Scenarios for Test Valley Borough Council Viability Study - 2009/10 Update

Scenario - no. of dwellings	Dwelling Mix	Indicative Site Size (Ha)	Indicative Density (DPH)	Value Points	Market dwellings				Affordable dwellings				Survey Costs (per site)	Build Period (Months)	Site Preparation
					0% AH	20% AH	30% AH	40% AH	0%	20%	30%	40%			
4	4 x 2 bed houses	0.1	40	0 to 5	4 x 2BH	3 x 2BH	3 x 2BH	2 x 2BH	0	1 x 2BH	1 x 2BH	2 x 2BH	£2,000	6	£16,000
5	5 x 3-bed houses	0.125	40	0 to 5	5 x 3BH	4 x 3BH	3 x 3BH	3 x 3BH	0	1 x 3BH	2 x 3BH	2 x 3BH	£2,500	6	£20,000
8	4 x 1-bed flats; 4 x 2 bed flats	0.16	50	0 to 5	4 x 1BF; 4 x 2BF	3 x 1BF; 3 x 2BF	3 x 1BF; 3 x 2BF	2 x 1BF; 3 x 2BF	0	1 x 1BF; 1 x 2BF	1 x 1BF; 1 x 2BF	2 x 1BF; 1 x 2BF	£4,000	6	£32,000
10	10 x 3-bed houses	0.25	40	0 to 5	10 x 3BH	8 x 3BH	7 x 3BH	6 x 3BH	0	2 x 3BH	3 x 3BH	4 x 3BH	£5,000	6	£40,000
12	2 x 2 bed flats; 4 x 2 bed houses; 4 x 3 bed houses; 2 x 4 bed houses	0.24	50	0 to 5	2 x 2BF; 4 x 2 BH; 4 x 3 BH; 2 x 4 BH	2 x 2BF; 3 x 2 BH; 3 x 3 BH; 2 x 4 BH	2 x 2BF; 2 x 2 BH; 3 x 3 BH; 2 x 4 BH	2 x 2BF; 2 x 2 BH; 2 x 3 BH; 2 x 4 BH	0	1 x 2BH; 1 x 3 BH	2 x 2BH; 1 x 3 BH	2 x 2BH; 2 x 3 BH	£6,000	6	£48,000
15	15 x 3-bed houses	0.375	40	0 to 5	15 x 3BH	12 x 3BH	10 x 3BH	9 x 3BH	0	3 x 3BH	5 x 3BH	6 x 3BH	£7,500	9	£60,000
25	2 x 1 BF; 4 x 2 bed flats; 7 x 2 bed houses; 7 x 3 bed houses; 5 x 4 bed houses	0.625	40	0 to 5	2 x 1BF; 4 x 2BF; 7 x 2BH; 7 x 3BH; 5 x 4BH	2 x 1BF; 2 x 2BF; 5 x 2BH; 6 x 3BH; 5 x 4BH	2 x 2BF; 5 x 2BH; 6 x 3BH; 4 x 4BH	2 x 2BF; 4 x 2BH; 5 x 3BH; 4 x 4BH	0	2 x 2BF; 2 x 2BH; 1 x 3BH	2 x 1BF; 2 x 2BF; 2 x 2BH; 1 x 3BH; 1 x 4BH	2 x 1BF; 2 x 2BF; 3 x 2BH; 2 x 3BH; 1 x 4BH	£12,500	9	£100,000

Values							
Value Point	1-Bed Flats	2-Bed Flats	2-Bed Houses	3-Bed Houses	4-Bed Houses	£ / sq m Equiv.	£ / sq ft Equiv.
1	£102,000	£132,000	£152,000	£172,000	£202,000	£2,000	£ 186
2	£112,200	£145,200	£167,200	£189,200	£222,200	£2,200	£ 204
3	£131,325	£169,950	£195,700	£221,450	£260,075	£2,575	£ 239
4	£150,450	£194,700	£224,200	£253,700	£297,950	£2,950	£ 274
5	£169,575	£219,450	£252,700	£285,950	£335,825	£3,325	£ 309
6	£188,700	£244,200	£281,200	£318,200	£373,700	£3,700	£ 344

New lower VP  
Former VP1  
Former VP2  
Former VP3  
Former VP4  
Former VP5

Sizes (sq m)				
1-Bed Flats	2-Bed Flats	2-Bed Houses	3-Bed Houses	4-Bed Houses
51	66	76	86	101

**Planning Infrastructure:** Wider obligations assumption level increased to £5,000 per dwelling from 2007 update study (that applied £4,000per dwelling). Increased obligations level of £8,000 per dwelling also trialed for this study - to test sensitivity of outcomes to that increased assumption.

**Build Costs (Flats)** £1,150 per sq m (Also tested at £1,250 per sq m)  
**Build Costs (Houses)** £1,000 per sq m (Also tested at £1,100 per sq m)  
**Build Period Lead In** 6 months  
**Developer's profit** Base assumption at 17.5% GDV increased from 2007 study. Increased levels at 20% GDV and 15% GDV tested.  
**Affordable Unit Mix:** Dwelling types reflect variety within overall (market led) mix where possible. Unit numbers rounded using mathematical convention.

**Code for Sustainable Homes:** Assume all units comply - Level 3 of CfSH as base assumption. Sample to be carried out assuming higher Code for Sustainable Homes Levels 4 applicable to all dwellings. CfSH added cost assumptions sourced - Cyril Sweet Analysis for CLG : + £50 / m2 CfSH 3; + £100/m2 CfSH 4.

**Lifetime Homes:** Allowance to achieve Lifetime Homes Standards included and acknowledged within report as potential variable cost issue (depending on design etc). Approx. between £165 and £545 per unit

**CO2 Reduction / Renewable Energy:** Base assumption is that CfSH attainment levels and cost assumptions include for CO2 reduction / on-site renewable energy measures.

**Density:** Densities as set out above. All densities are indicative.

**Numbers rounding:** Assume mathematical convention for rounding of affordable housing provision on-site. Note this can significantly affect affordable housing actual proportion, mix and tenure mix.

**Indicative VOA land value comparisons** Agricultural maximum £20,000 / Ha; Lower industrial approx. £700,000 / Ha; Upper industrial approx. £1,500,000 / Ha; Typical industrial approx £1,000,000 Ha (source: VOA Property Market Report July 2009 - influenced by SE & to a lesser extent SW locations; and by tone the Use Class B1 land value figures)

**General Notes:**  
 1. Appraisals carried out on the basis of nil cost land for affordable housing, as previous assumption. Therefore, tenure neutral approach to affordable units whereby the developer receives build cost back in return for completed affordable units.  
 2. HA = hectare; DPH = dwellings per hectare; AH = affordable housing; BF = bed flat; BH = bed house  
 3. VP 1 = new (added); VPs 2 - 6 are as per 2007 study - see table above  
 4. 25 mixed dwellings scheme at 40 DPH; increasing that assumption to 50 DPH (As per the 8 flats and 12 mixed scheme) would increase RLV results when viewed per hectare.

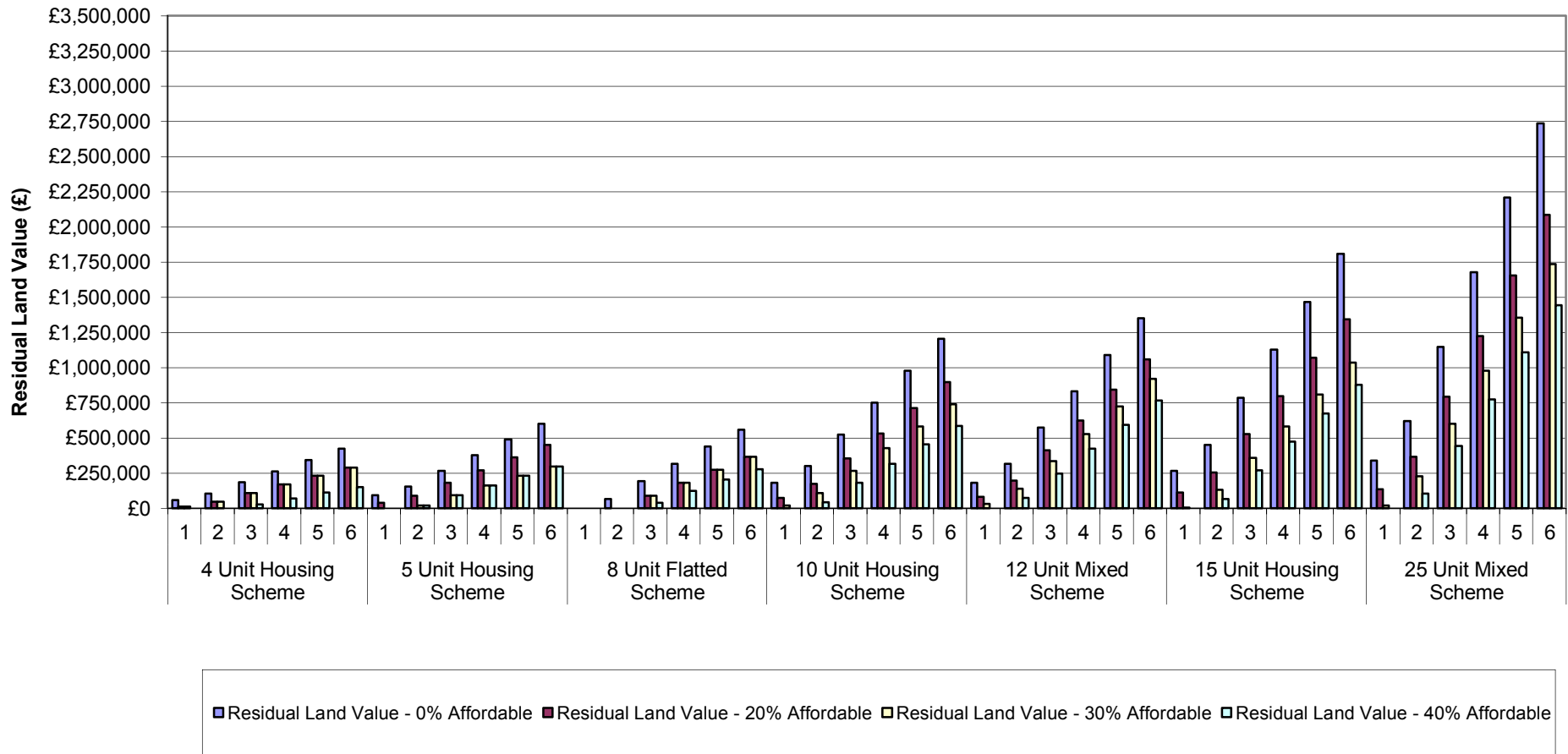
## **Appendix II**

**Table 1: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Previous Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	£60,292	£12,618	£12,618	£0
	2	£104,882	£46,060	£46,060	£0
	3	£186,604	£108,765	£108,765	£29,041
	4	£263,932	£169,755	£169,755	£70,844
	5	£345,030	£231,832	£231,832	£112,647
	6	£426,128	£287,972	£287,972	£152,906
5 Unit Housing Scheme	1	£91,785	£37,837	£0	£0
	2	£153,308	£88,294	£21,732	£21,732
	3	£264,922	£181,072	£92,688	£92,688
	4	£379,633	£269,183	£162,006	£162,006
	5	£489,247	£360,952	£232,252	£232,252
	6	£602,776	£452,721	£296,387	£296,387
8 Unit Flatted Scheme	1	£0	£0	£0	£0
	2	£67,146	£0	£0	£0
	3	£193,897	£87,855	£87,855	£40,779
	4	£314,828	£182,544	£182,544	£123,285
	5	£439,676	£272,492	£272,492	£203,733
	6	£558,705	£366,128	£366,128	£279,648
10 Unit Housing Scheme	1	£181,735	£75,675	£21,727	£0
	2	£300,421	£174,823	£110,027	£43,465
	3	£524,381	£354,829	£267,321	£183,521
	4	£751,438	£532,816	£427,917	£317,467
	5	£978,495	£714,461	£582,445	£455,120
	6	£1,205,551	£896,107	£741,385	£586,662
12 Unit Mixed Scheme	1	£180,574	£80,775	£33,101	£0
	2	£316,642	£199,040	£140,806	£75,667
	3	£572,645	£413,771	£336,438	£248,931
	4	£831,912	£626,001	£529,401	£424,466
	5	£1,091,179	£842,497	£725,831	£593,814
	6	£1,350,446	£1,058,993	£922,262	£767,539
15 Unit Housing Scheme	1	£267,095	£113,512	£5,616	£0
	2	£450,632	£256,937	£130,441	£65,197
	3	£786,572	£526,756	£357,228	£269,721
	4	£1,127,157	£799,224	£580,602	£476,201
	5	£1,467,742	£1,071,692	£807,659	£675,642
	6	£1,808,327	£1,344,160	£1,034,716	£879,993
25 Unit Mixed Scheme	1	£341,234	£134,945	£21,810	£0
	2	£620,041	£364,842	£229,534	£106,468
	3	£1,149,400	£792,753	£600,654	£442,072
	4	£1,678,759	£1,224,425	£978,730	£772,819
	5	£2,208,118	£1,656,096	£1,356,806	£1,108,124
	6	£2,737,477	£2,087,768	£1,734,882	£1,443,428

Source: Adams Integra, January 2010

**Graph 1: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Previous Build Costs**  
**Planning Infrastructure Level £5,000**



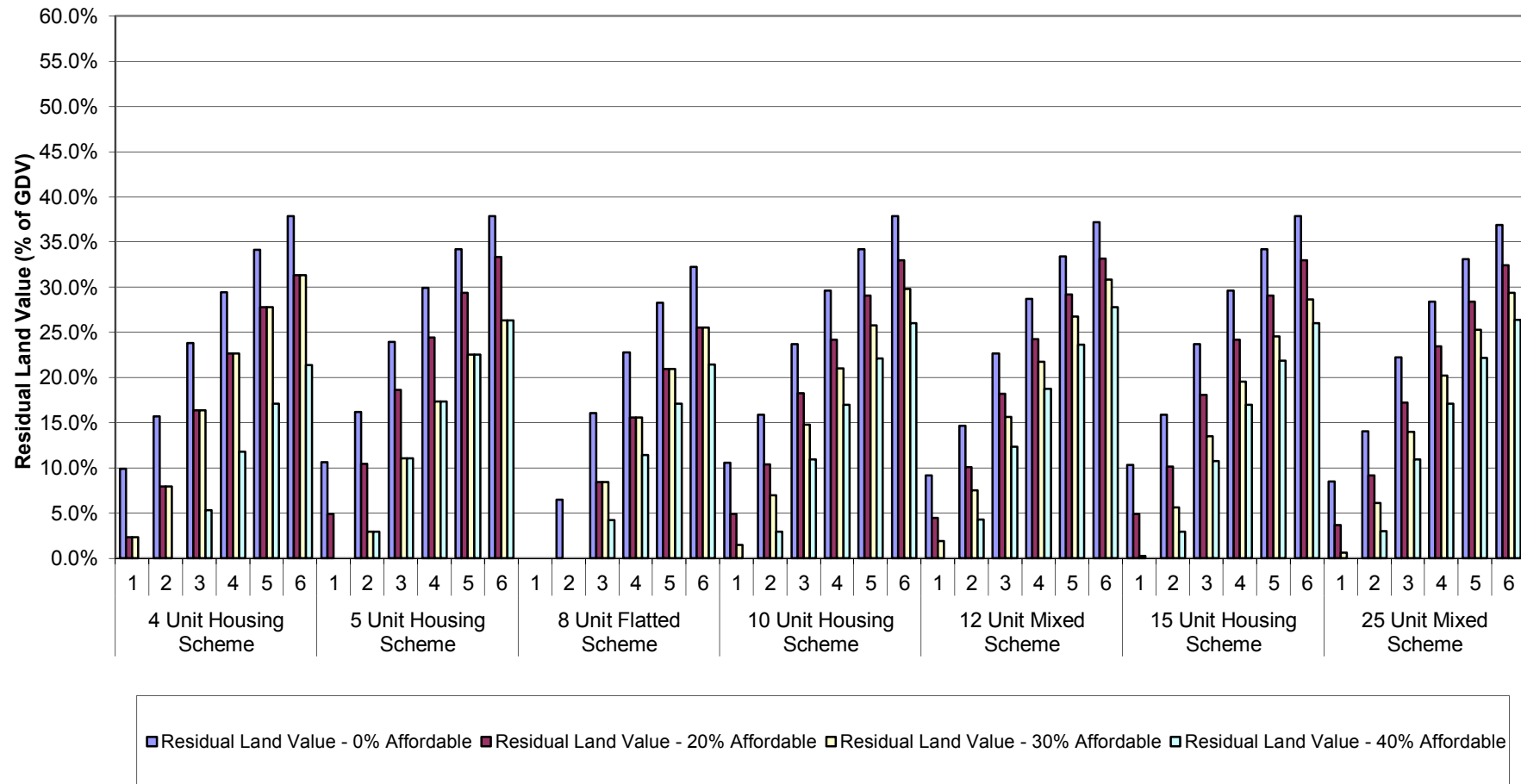


**Table 1a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Previous Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	9.9%	2.4%	2.4%	0.0%
	2	15.7%	8.0%	8.0%	0.0%
	3	23.8%	16.4%	16.4%	5.3%
	4	29.4%	22.7%	22.7%	11.8%
	5	34.1%	27.8%	27.8%	17.1%
	6	37.9%	31.3%	31.3%	21.4%
5 Unit Housing Scheme	1	10.7%	4.9%	0.0%	0.0%
	2	16.2%	10.5%	2.9%	2.9%
	3	23.9%	18.6%	11.1%	11.1%
	4	29.9%	24.5%	17.4%	17.4%
	5	34.2%	29.4%	22.6%	22.6%
	6	37.9%	33.3%	26.3%	26.3%
8 Unit Flatted Scheme	1	0.0%	0.0%	0.0%	0.0%
	2	6.5%	0.0%	0.0%	0.0%
	3	16.1%	8.5%	8.5%	4.2%
	4	22.8%	15.6%	15.6%	11.4%
	5	28.3%	20.9%	20.9%	17.1%
	6	32.3%	25.5%	25.5%	21.5%
10 Unit Housing Scheme	1	10.6%	4.9%	1.5%	0.0%
	2	15.9%	10.4%	7.0%	2.9%
	3	23.7%	18.3%	14.8%	11.0%
	4	29.6%	24.2%	21.0%	17.0%
	5	34.2%	29.0%	25.8%	22.1%
	6	37.9%	33.0%	29.8%	26.0%
12 Unit Mixed Scheme	1	9.2%	4.5%	1.9%	0.0%
	2	14.7%	10.1%	7.5%	4.3%
	3	22.6%	18.2%	15.6%	12.3%
	4	28.7%	24.3%	21.8%	18.7%
	5	33.4%	29.2%	26.8%	23.6%
	6	37.2%	33.1%	30.8%	27.8%
15 Unit Housing Scheme	1	10.4%	4.9%	0.3%	0.0%
	2	15.9%	10.2%	5.6%	2.9%
	3	23.7%	18.1%	13.5%	10.7%
	4	29.6%	24.2%	19.6%	17.0%
	5	34.2%	29.0%	24.6%	21.9%
	6	37.9%	33.0%	28.6%	26.0%
25 Unit Mixed Scheme	1	8.5%	3.7%	0.6%	0.0%
	2	14.1%	9.2%	6.1%	3.0%
	3	22.3%	17.2%	14.0%	10.9%
	4	28.4%	23.5%	20.3%	17.1%
	5	33.1%	28.4%	25.3%	22.2%
	6	36.9%	32.4%	29.4%	26.4%

Source: Adams Integra, January 2010

**Graph 1a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable  
Housing Across all Value Points  
Previous Build Costs  
Planning Infrastructure Level £5,000**

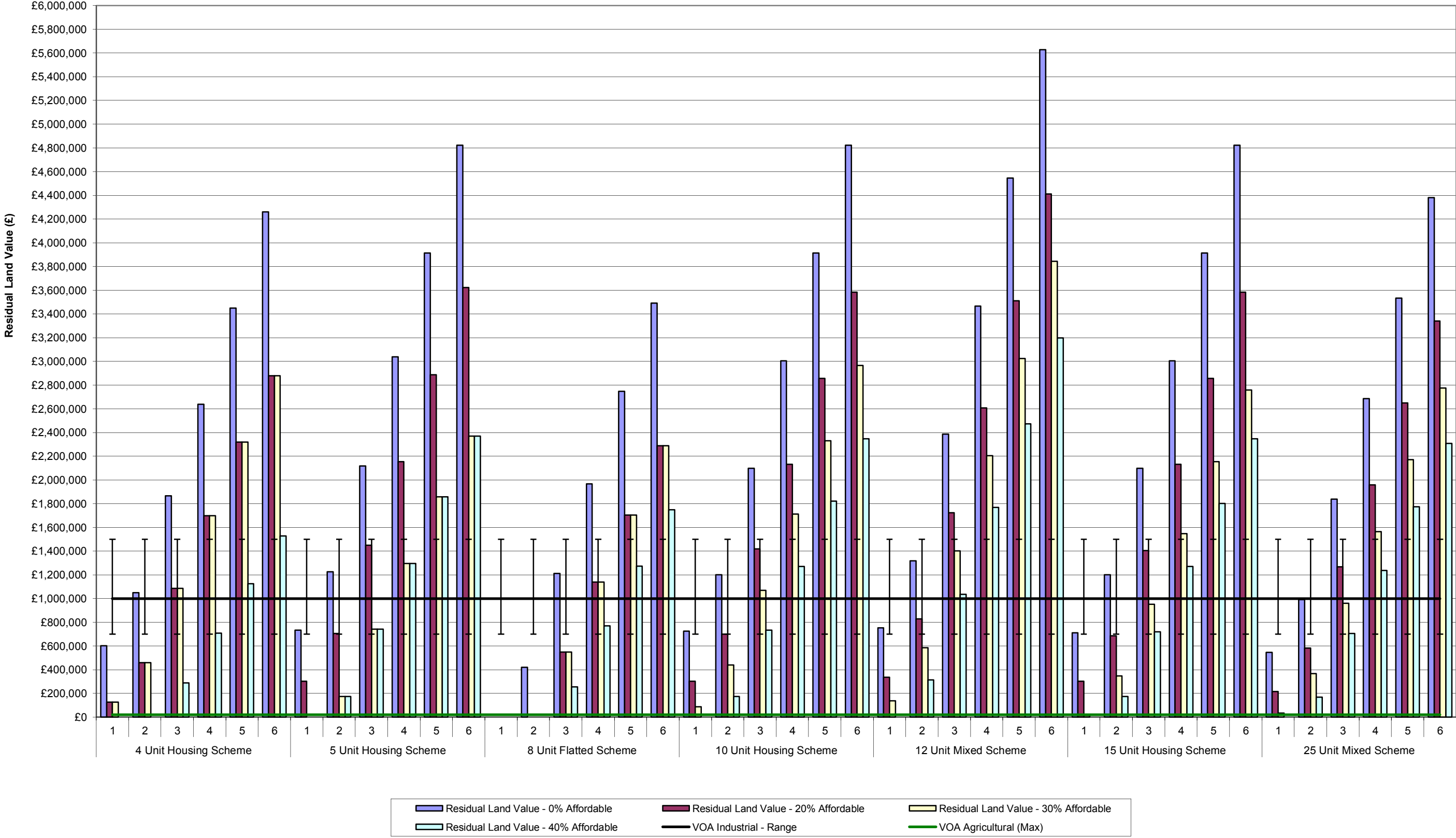


**Table 1b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Previous Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	0.10	£602,924	£126,176	£126,176	£0
	2	0.10	£1,048,824	£460,601	£460,601	£0
	3	0.10	£1,866,036	£1,087,647	£1,087,647	£290,409
	4	0.10	£2,639,319	£1,697,546	£1,697,546	£708,439
	5	0.10	£3,450,299	£2,318,322	£2,318,322	£1,126,470
	6	0.10	£4,261,278	£2,879,722	£2,879,722	£1,529,056
5 Unit Housing Scheme	1	0.13	£734,281	£302,699	£0	£0
	2	0.13	£1,226,463	£706,355	£173,858	£173,858
	3	0.13	£2,119,374	£1,448,579	£741,500	£741,500
	4	0.13	£3,037,062	£2,153,465	£1,296,051	£1,296,051
	5	0.13	£3,913,979	£2,887,615	£1,858,016	£1,858,016
	6	0.13	£4,822,206	£3,621,765	£2,371,093	£2,371,093
8 Unit Flatted Scheme	1	0.16	£0	£0	£0	£0
	2	0.16	£419,662	£0	£0	£0
	3	0.16	£1,211,855	£549,097	£549,097	£254,866
	4	0.16	£1,967,675	£1,140,898	£1,140,898	£770,529
	5	0.16	£2,747,976	£1,703,076	£1,703,076	£1,273,330
	6	0.16	£3,491,904	£2,288,302	£2,288,302	£1,747,800
10 Unit Housing Scheme	1	0.25	£726,938	£302,699	£86,907	£0
	2	0.25	£1,201,686	£699,291	£440,107	£173,858
	3	0.25	£2,097,525	£1,419,315	£1,069,285	£734,085
	4	0.25	£3,005,752	£2,131,264	£1,711,666	£1,269,868
	5	0.25	£3,913,979	£2,857,846	£2,329,779	£1,820,481
	6	0.25	£4,822,206	£3,584,427	£2,965,538	£2,346,649
12 Unit Mixed Scheme	1	0.24	£752,392	£336,564	£137,919	£0
	2	0.24	£1,319,343	£829,335	£586,693	£315,278
	3	0.24	£2,386,021	£1,724,044	£1,401,827	£1,037,213
	4	0.24	£3,466,301	£2,608,337	£2,205,836	£1,768,606
	5	0.24	£4,546,581	£3,510,404	£3,024,296	£2,474,227
	6	0.24	£5,626,860	£4,412,470	£3,842,756	£3,198,080
15 Unit Housing Scheme	1	0.38	£712,252	£302,699	£14,977	£0
	2	0.38	£1,201,686	£685,164	£347,844	£173,858
	3	0.38	£2,097,525	£1,404,682	£952,608	£719,255
	4	0.38	£3,005,752	£2,131,264	£1,548,272	£1,269,868
	5	0.38	£3,913,979	£2,857,846	£2,153,757	£1,801,713
	6	0.38	£4,822,206	£3,584,427	£2,759,242	£2,346,649
25 Unit Mixed Scheme	1	0.63	£545,974	£215,912	£34,896	£0
	2	0.63	£992,065	£583,747	£367,254	£170,349
	3	0.63	£1,839,040	£1,268,404	£961,047	£707,314
	4	0.63	£2,686,015	£1,959,079	£1,565,968	£1,236,510
	5	0.63	£3,532,989	£2,649,754	£2,170,890	£1,772,998
	6	0.63	£4,379,964	£3,340,429	£2,775,811	£2,309,485

Source: Adams Integra, January 2010

Graph 1b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points - Previous Build Costs  
Planning Infrastructure Level £5,000



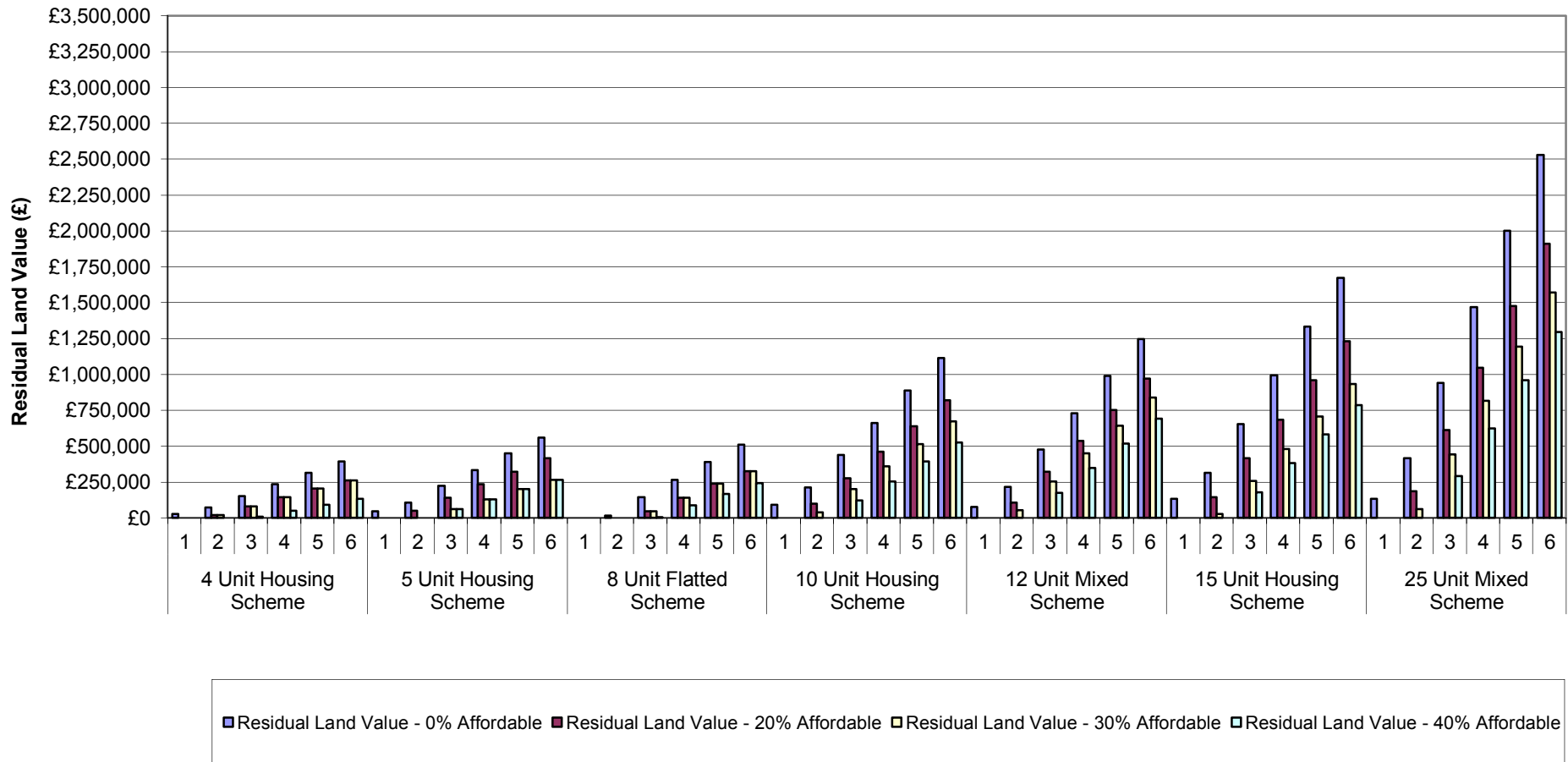
## **Appendix IIa**

**Table 2: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Increased Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	£27,334	£0	£0	£0
	2	£71,923	£19,481	£19,481	£0
	3	£153,974	£82,186	£82,186	£8,842
	4	£236,744	£143,442	£143,442	£50,645
	5	£313,060	£205,519	£205,519	£92,448
	6	£394,158	£262,191	£262,191	£132,909
5 Unit Housing Scheme	1	£45,166	£0	£0	£0
	2	£108,237	£48,894	£0	£0
	3	£224,231	£142,066	£60,507	£60,507
	4	£334,412	£235,727	£130,148	£130,148
	5	£449,123	£322,734	£200,393	£200,393
	6	£558,021	£414,503	£265,172	£265,172
8 Unit Flatted Scheme	1	£0	£0	£0	£0
	2	£16,407	£0	£0	£0
	3	£143,665	£46,938	£46,938	£4,142
	4	£265,611	£142,035	£142,035	£86,648
	5	£390,459	£237,602	£237,602	£167,463
	6	£509,995	£326,438	£326,438	£244,111
10 Unit Housing Scheme	1	£90,331	£0	£0	£0
	2	£214,309	£97,789	£38,446	£0
	3	£439,402	£278,393	£201,968	£121,014
	4	£661,929	£461,930	£358,484	£255,037
	5	£888,985	£638,813	£513,728	£392,690
	6	£1,116,042	£820,459	£672,667	£524,876
12 Unit Mixed Scheme	1	£75,932	£0	£0	£0
	2	£217,770	£108,185	£55,742	£0
	3	£475,338	£323,690	£252,547	£175,589
	4	£729,705	£536,849	£451,023	£347,577
	5	£988,972	£753,345	£642,804	£517,718
	6	£1,248,239	£969,841	£839,235	£691,443
15 Unit Housing Scheme	1	£134,142	£0	£0	£0
	2	£314,970	£145,216	£27,998	£0
	3	£652,308	£417,589	£256,580	£179,706
	4	£992,893	£685,752	£480,992	£382,555
	5	£1,333,478	£958,220	£708,048	£582,962
	6	£1,674,063	£1,230,688	£935,105	£787,314
25 Unit Mixed Scheme	1	£133,067	£0	£0	£0
	2	£415,644	£187,911	£62,577	£0
	3	£940,718	£613,889	£442,714	£291,066
	4	£1,470,077	£1,045,561	£816,226	£623,370
	5	£1,999,436	£1,477,233	£1,194,302	£958,675
	6	£2,528,795	£1,908,905	£1,572,378	£1,293,980

Source: Adams Integra, January 2010

**Graph 2: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Increased Build Costs**  
**Planning Infrastructure Level £5,000**



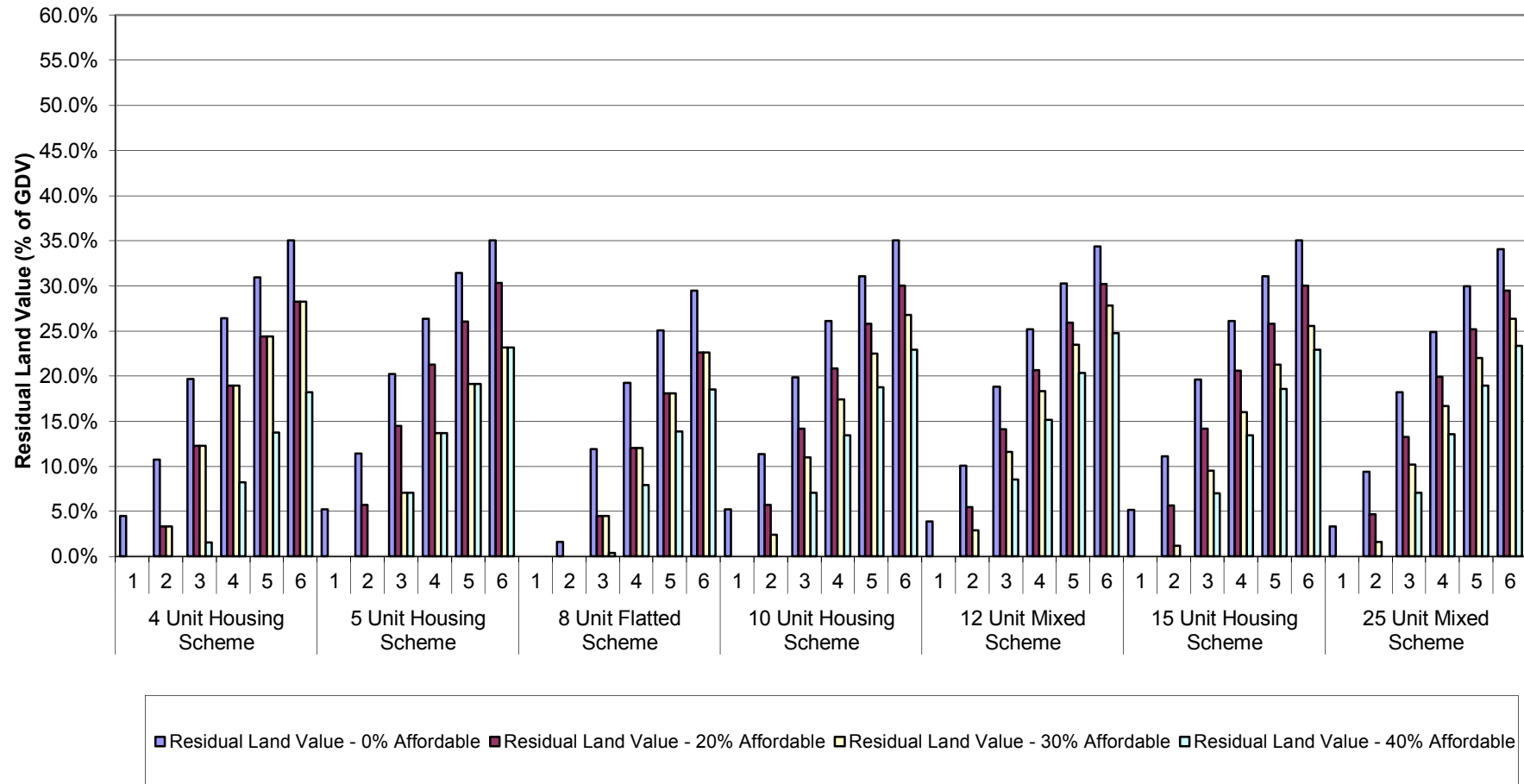
**Table 2a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Increased Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	4.5%	0.0%	0.0%	0.0%
	2	10.8%	3.3%	3.3%	0.0%
	3	19.7%	12.3%	12.3%	1.6%
	4	26.4%	19.0%	19.0%	8.2%
	5	31.0%	24.4%	24.4%	13.7%
	6	35.0%	28.3%	28.3%	18.2%
5 Unit Housing Scheme	1	5.3%	0.0%	0.0%	0.0%
	2	11.4%	5.7%	0.0%	0.0%
	3	20.3%	14.5%	7.1%	7.1%
	4	26.4%	21.2%	13.7%	13.7%
	5	31.4%	26.1%	19.1%	19.1%
	6	35.1%	30.3%	23.2%	23.2%
8 Unit Flatted Scheme	1	0.0%	0.0%	0.0%	0.0%
	2	1.6%	0.0%	0.0%	0.0%
	3	11.9%	4.5%	4.5%	0.4%
	4	19.2%	12.0%	12.0%	7.9%
	5	25.1%	18.1%	18.1%	13.9%
	6	29.5%	22.6%	22.6%	18.5%
10 Unit Housing Scheme	1	5.3%	0.0%	0.0%	0.0%
	2	11.3%	5.7%	2.4%	0.0%
	3	19.8%	14.2%	11.0%	7.1%
	4	26.1%	20.8%	17.4%	13.4%
	5	31.1%	25.8%	22.5%	18.8%
	6	35.1%	30.0%	26.8%	22.9%
12 Unit Mixed Scheme	1	3.9%	0.0%	0.0%	0.0%
	2	10.1%	5.5%	2.9%	0.0%
	3	18.8%	14.1%	11.6%	8.6%
	4	25.2%	20.7%	18.4%	15.1%
	5	30.3%	25.9%	23.5%	20.3%
	6	34.4%	30.2%	27.8%	24.8%
15 Unit Housing Scheme	1	5.2%	0.0%	0.0%	0.0%
	2	11.1%	5.7%	1.2%	0.0%
	3	19.6%	14.2%	9.5%	7.0%
	4	26.1%	20.6%	16.0%	13.4%
	5	31.1%	25.8%	21.2%	18.6%
	6	35.1%	30.0%	25.6%	22.9%
25 Unit Mixed Scheme	1	3.3%	0.0%	0.0%	0.0%
	2	9.4%	4.7%	1.6%	0.0%
	3	18.2%	13.2%	10.2%	7.1%
	4	24.9%	19.9%	16.7%	13.6%
	5	30.0%	25.2%	22.0%	18.9%
	6	34.1%	29.5%	26.4%	23.3%

Source: Adams Integra, January 2010



**Graph 2a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable Housing Across all Value Points  
Increased Build Costs  
Planning Infrastructure Level £5,000**

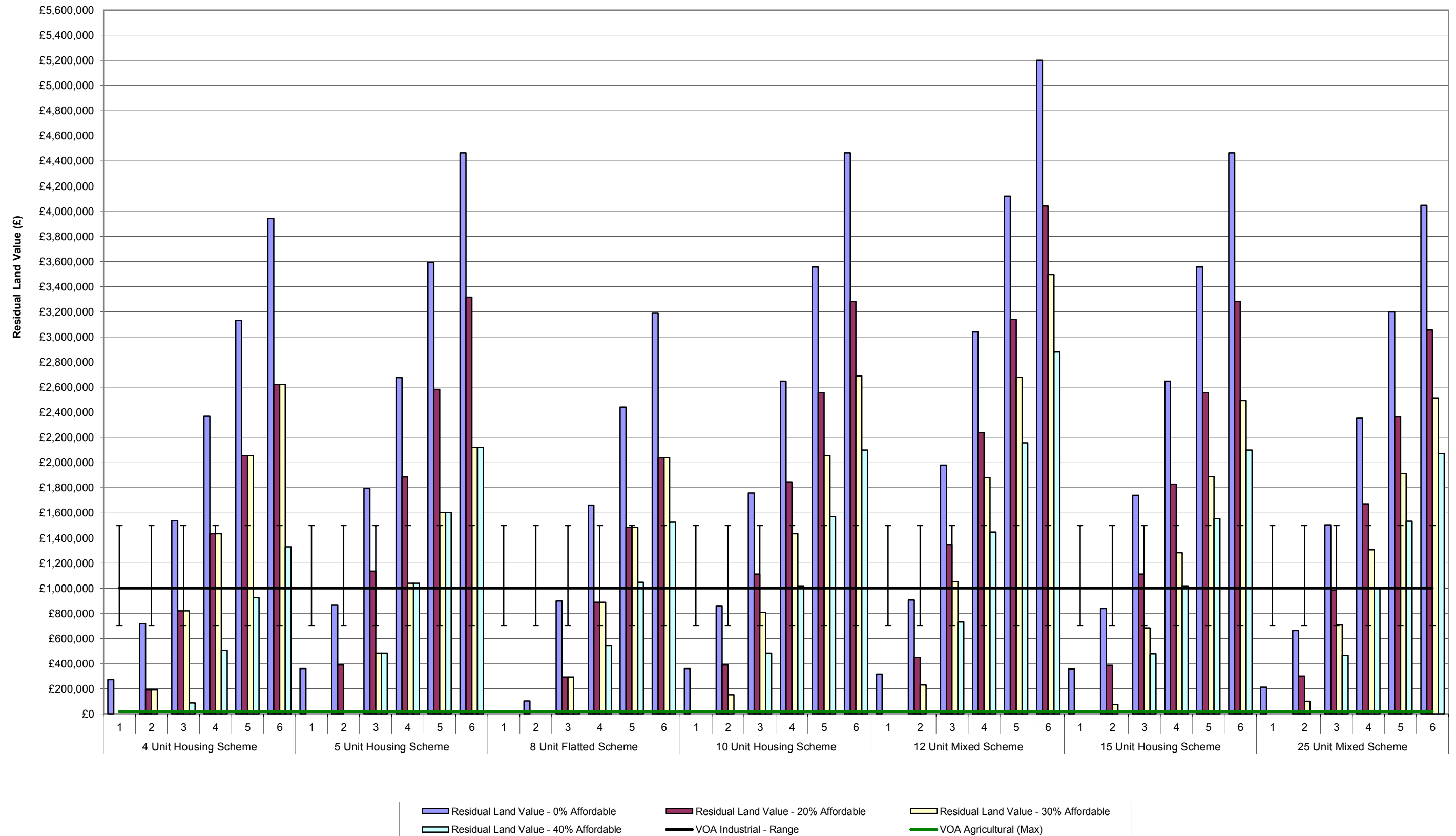


**Table 2b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Increased Build Costs  
Planning Infrastructure Level £5,000**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
4 Unit Housing Scheme	1	0.10	£273,335	£0	£0	£0
	2	0.10	£719,235	£194,812	£194,812	£0
	3	0.10	£1,539,743	£821,858	£821,858	£88,420
	4	0.10	£2,367,445	£1,434,415	£1,434,415	£506,451
	5	0.10	£3,130,597	£2,055,191	£2,055,191	£924,482
	6	0.10	£3,941,577	£2,621,907	£2,621,907	£1,329,087
5 Unit Housing Scheme	1	0.13	£361,325	£0	£0	£0
	2	0.13	£865,896	£391,155	£0	£0
	3	0.13	£1,793,846	£1,136,531	£484,056	£484,056
	4	0.13	£2,675,294	£1,885,818	£1,041,181	£1,041,181
	5	0.13	£3,592,982	£2,581,871	£1,603,147	£1,603,147
	6	0.13	£4,464,168	£3,316,021	£2,121,373	£2,121,373
8 Unit Flatted Scheme	1	0.16	£0	£0	£0	£0
	2	0.16	£102,541	£0	£0	£0
	3	0.16	£897,906	£293,362	£293,362	£25,890
	4	0.16	£1,660,068	£887,721	£887,721	£541,553
	5	0.16	£2,440,369	£1,485,014	£1,485,014	£1,046,644
	6	0.16	£3,187,468	£2,040,240	£2,040,240	£1,525,693
10 Unit Housing Scheme	1	0.25	£361,325	£0	£0	£0
	2	0.25	£857,237	£391,155	£153,785	£0
	3	0.25	£1,757,607	£1,113,571	£807,873	£484,056
	4	0.25	£2,647,714	£1,847,721	£1,433,934	£1,020,147
	5	0.25	£3,555,941	£2,555,254	£2,054,910	£1,570,760
	6	0.25	£4,464,168	£3,281,836	£2,690,669	£2,099,503
12 Unit Mixed Scheme	1	0.24	£316,384	£0	£0	£0
	2	0.24	£907,374	£450,769	£232,260	£0
	3	0.24	£1,980,576	£1,348,709	£1,052,278	£731,623
	4	0.24	£3,040,437	£2,236,872	£1,879,264	£1,448,236
	5	0.24	£4,120,717	£3,138,938	£2,678,351	£2,157,159
	6	0.24	£5,200,997	£4,041,005	£3,496,811	£2,881,013
15 Unit Housing Scheme	1	0.38	£357,712	£0	£0	£0
	2	0.38	£839,919	£387,243	£74,661	£0
	3	0.38	£1,739,487	£1,113,571	£684,213	£479,216
	4	0.38	£2,647,714	£1,828,672	£1,282,644	£1,020,147
	5	0.38	£3,555,941	£2,555,254	£1,888,129	£1,554,567
	6	0.38	£4,464,168	£3,281,836	£2,493,614	£2,099,503
25 Unit Mixed Scheme	1	0.63	£212,906	£0	£0	£0
	2	0.63	£665,031	£300,658	£100,124	£0
	3	0.63	£1,505,149	£982,222	£708,343	£465,706
	4	0.63	£2,352,124	£1,672,897	£1,305,962	£997,393
	5	0.63	£3,199,098	£2,363,573	£1,910,883	£1,533,880
	6	0.63	£4,046,073	£3,054,248	£2,515,805	£2,070,368

Source: Adams Integra, January 2010

**Graph 2b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Increased Build Costs**  
**Planning Infrastructure Level £5,000**



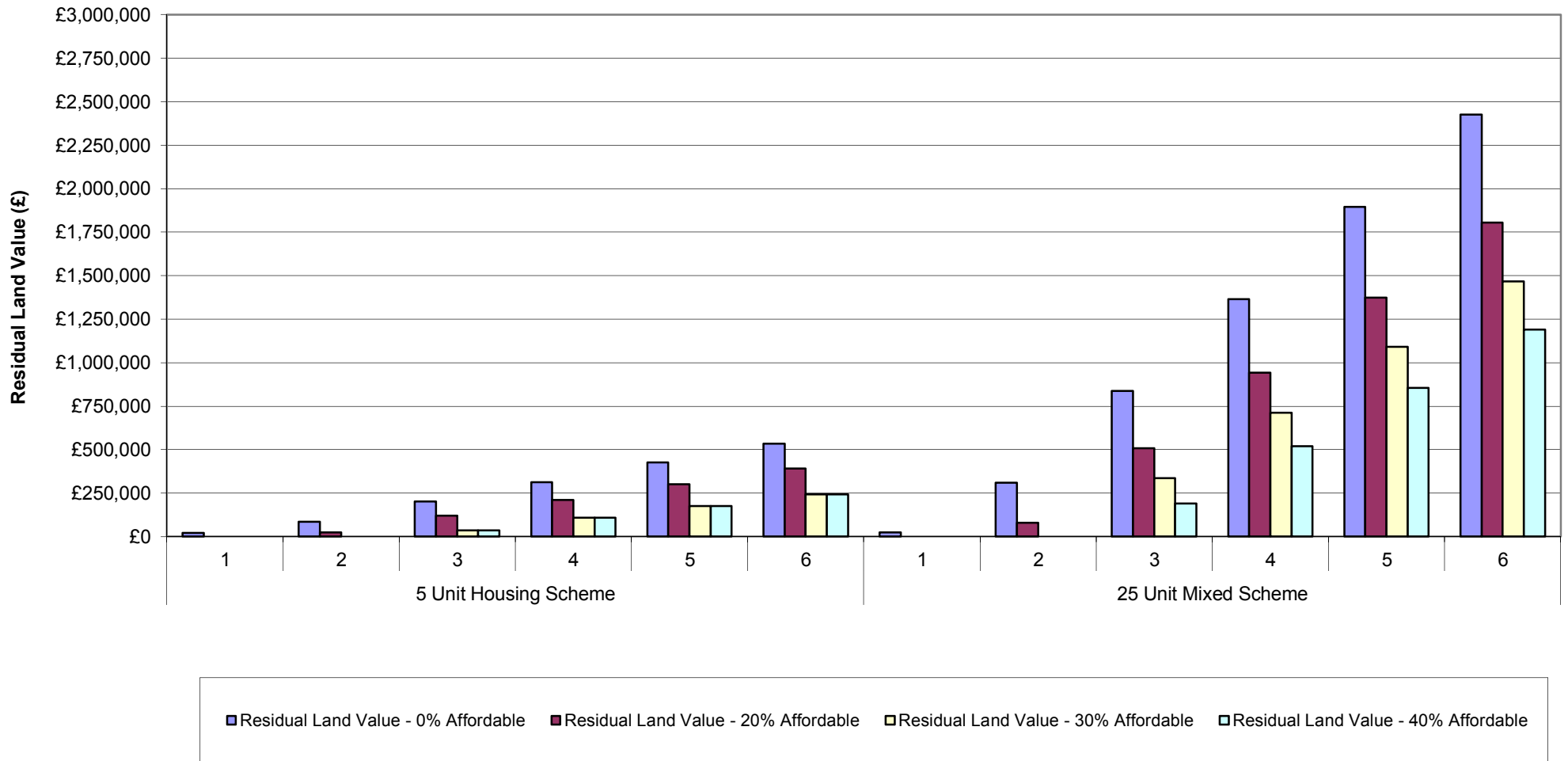
## **Appendix IIb**

**Table 3: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
CfSH Level 4**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	£21,856	£0	£0	£0
	2	£84,927	£25,585	£0	£0
	3	£201,154	£120,192	£37,197	£37,197
	4	£311,801	£212,651	£108,153	£108,153
	5	£426,512	£300,123	£177,317	£177,317
	6	£535,644	£391,892	£242,561	£242,561
25 Unit Mixed Scheme	1	£25,722	£0	£0	£0
	2	£310,216	£81,121	£0	£0
	3	£836,377	£509,548	£337,287	£189,466
	4	£1,365,736	£941,220	£711,885	£519,029
	5	£1,895,095	£1,372,892	£1,089,961	£854,334
	6	£2,424,455	£1,804,564	£1,468,037	£1,189,639

Source: Adams Integra, January 2010

**Graph 3: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Planning Infrastructure Level £5,000**  
**CfSH Level 4**

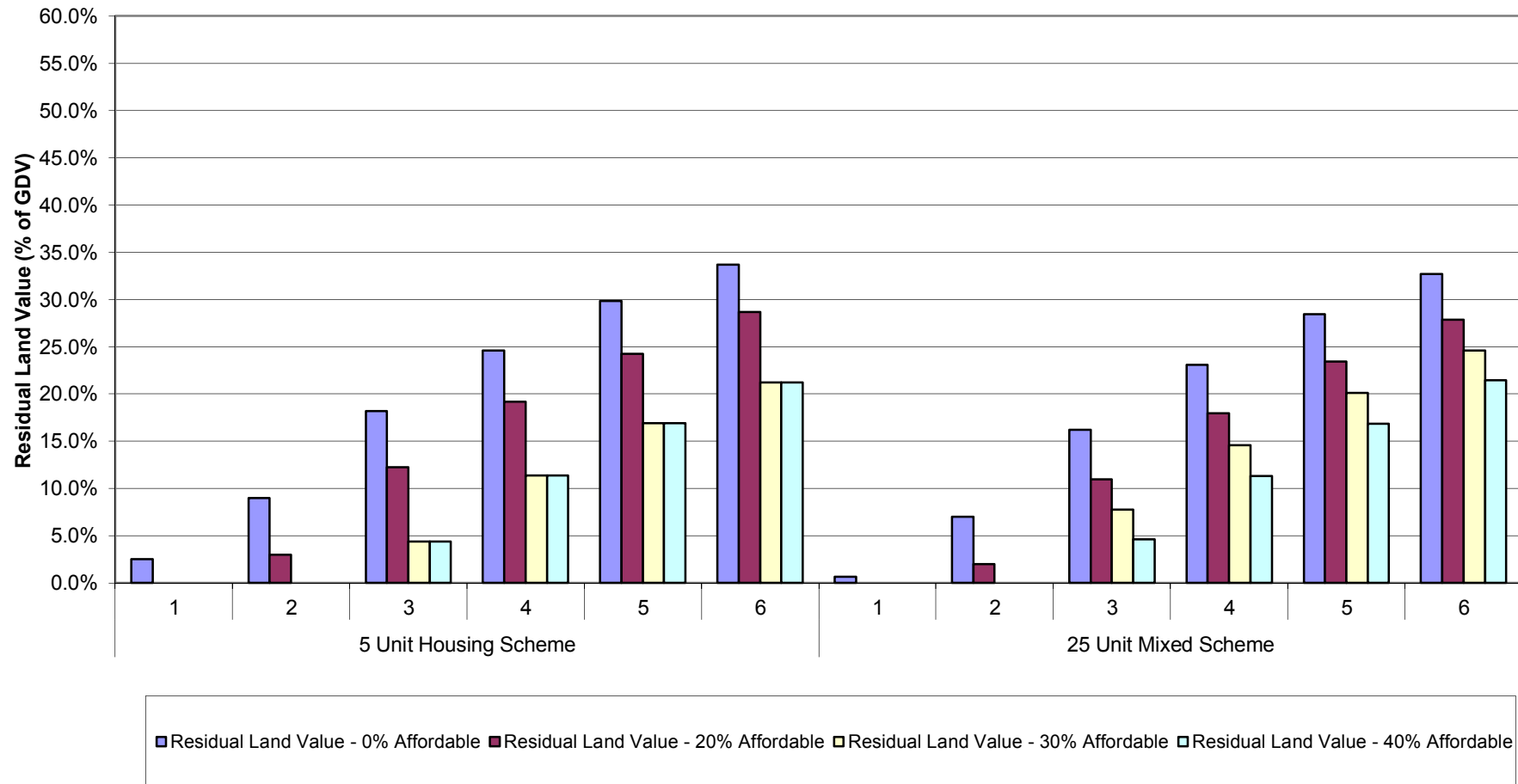


**Table 3a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
CfSH Level 4**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	2.5%	0.0%	0.0%	0.0%
	2	9.0%	3.0%	0.0%	0.0%
	3	18.2%	12.3%	4.4%	4.4%
	4	24.6%	19.2%	11.4%	11.4%
	5	29.8%	24.2%	16.9%	16.9%
	6	33.7%	28.7%	21.2%	21.2%
25 Unit Mixed Scheme	1	0.6%	0.0%	0.0%	0.0%
	2	7.0%	2.0%	0.0%	0.0%
	3	16.2%	11.0%	7.7%	4.6%
	4	23.1%	17.9%	14.6%	11.3%
	5	28.4%	23.4%	20.1%	16.9%
	6	32.7%	27.9%	24.6%	21.5%

Source: Adams Integra, January 2010

**Graph 3a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable  
Housing Across all Value Points  
Planning Infrastructure Level £5,000  
CfSH Level 4**



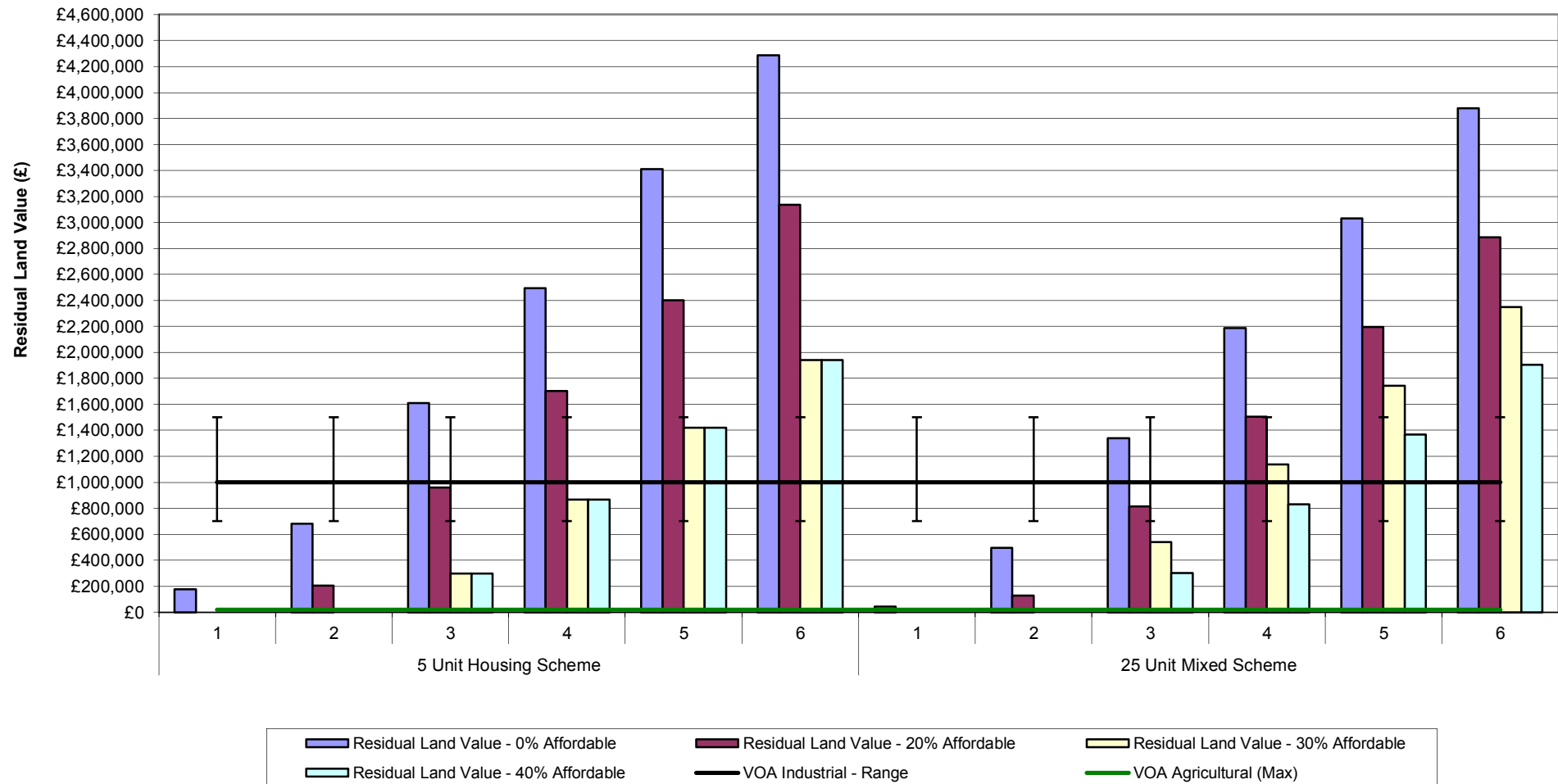


**Table 3b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
CfSH Level 4**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	0.13	£174,847	£0	£0	£0
	2	0.13	£679,418	£204,677	£0	£0
	3	0.13	£1,609,233	£961,533	£297,578	£297,578
	4	0.13	£2,494,411	£1,701,205	£865,220	£865,220
	5	0.13	£3,412,099	£2,400,987	£1,418,534	£1,418,534
	6	0.13	£4,285,149	£3,135,138	£1,940,489	£1,940,489
25 Unit Mixed Scheme	1	0.63	£41,156	£0	£0	£0
	2	0.63	£496,346	£129,794	£0	£0
	3	0.63	£1,338,204	£815,277	£539,658	£303,146
	4	0.63	£2,185,178	£1,505,952	£1,139,016	£830,447
	5	0.63	£3,032,153	£2,196,627	£1,743,938	£1,366,935
	6	0.63	£3,879,127	£2,887,302	£2,348,859	£1,903,422

Source: Adams Integra, January 2010

**Graph 3b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points -  
Planning Infrastructure Level £5,000  
CfSH Level 4**



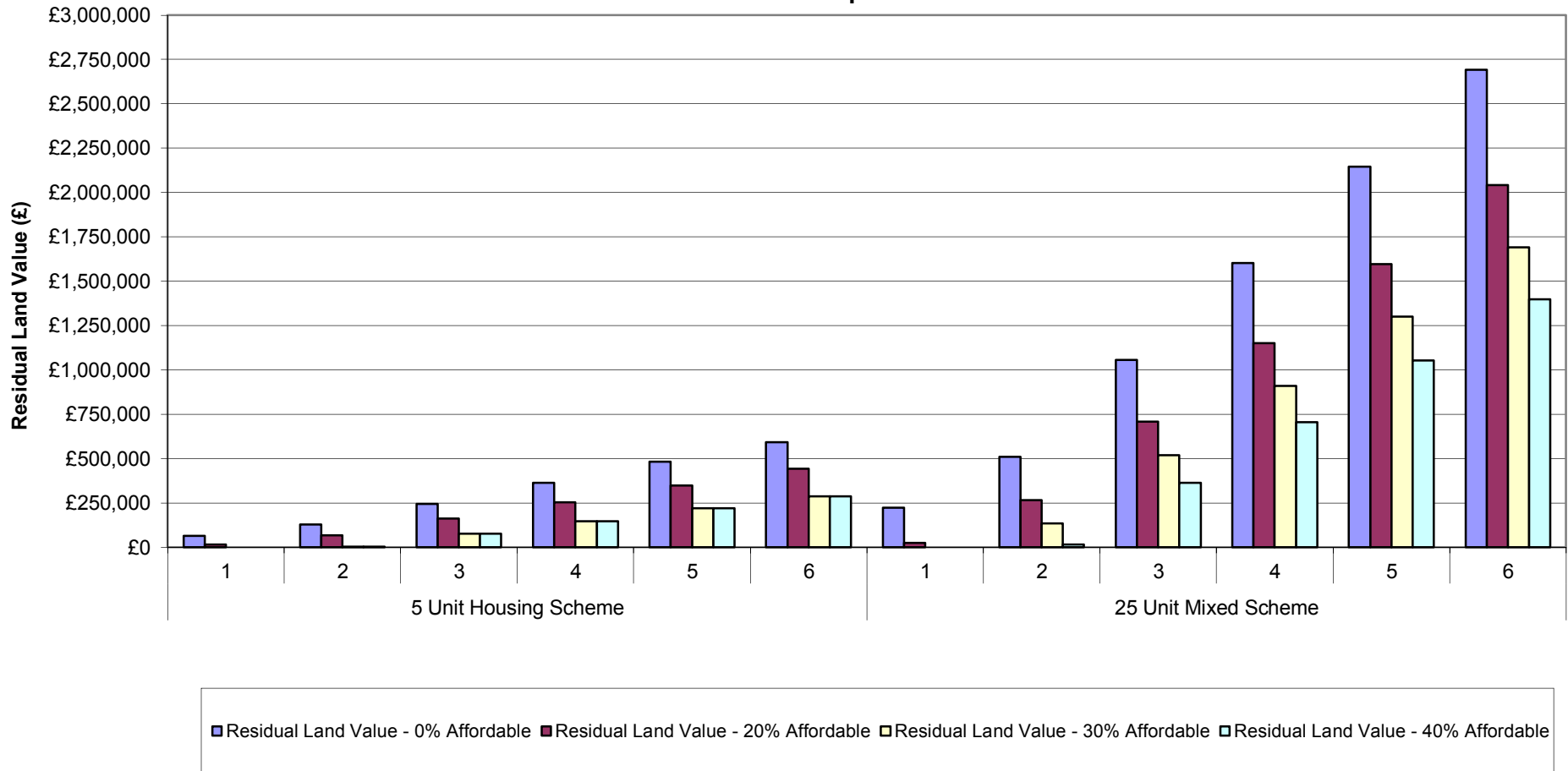
## **Appendix IIc**

**Table 4: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
15% Developer's Profit**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	£64,999	£14,304	£0	£0
	2	£128,754	£66,348	£2,642	£2,642
	3	£244,471	£162,291	£75,829	£75,829
	4	£362,789	£253,667	£147,525	£147,525
	5	£481,107	£348,321	£219,980	£219,980
	6	£593,246	£442,976	£286,527	£286,527
25 Unit Mixed Scheme	1	£224,622	£25,406	£0	£0
	2	£509,019	£264,582	£133,881	£15,229
	3	£1,055,024	£707,101	£519,789	£364,224
	4	£1,601,030	£1,152,348	£909,754	£706,318
	5	£2,147,035	£1,597,594	£1,299,719	£1,052,167
	6	£2,693,041	£2,042,841	£1,689,685	£1,398,016

Source: Adams Integra, January 2010

**Graph 4: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Planning Infrastructure Level £5,000**  
**15% Developer's Profit**

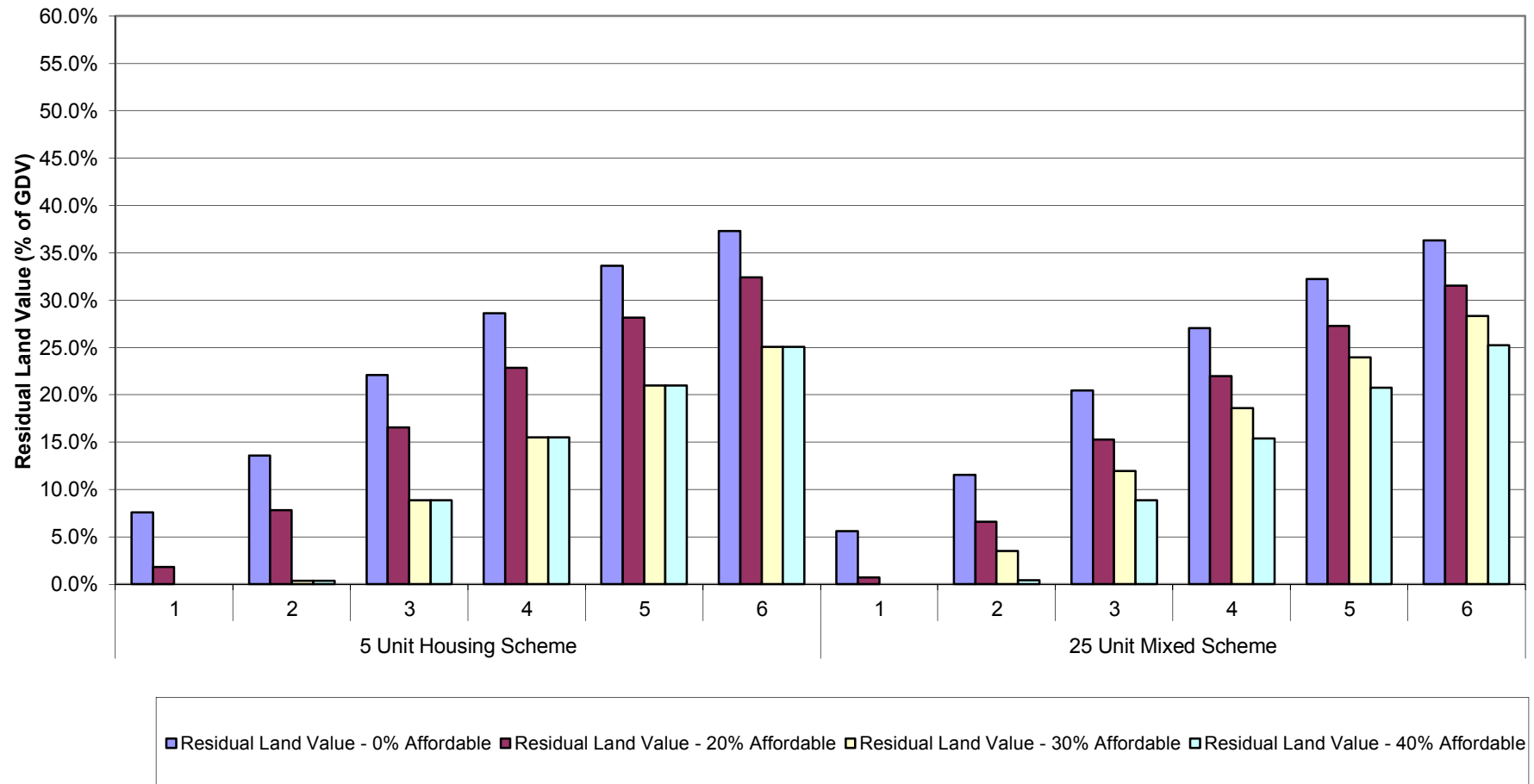


**Table 4a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
15% Developer's Profit**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	7.6%	1.8%	0.0%	0.0%
	2	13.6%	7.8%	0.3%	0.3%
	3	22.1%	16.6%	8.9%	8.9%
	4	28.6%	22.9%	15.5%	15.5%
	5	33.6%	28.1%	21.0%	21.0%
	6	37.3%	32.4%	25.1%	25.1%
25 Unit Mixed Scheme	1	5.6%	0.7%	0.0%	0.0%
	2	11.5%	6.6%	3.5%	0.4%
	3	20.4%	15.2%	11.9%	8.9%
	4	27.1%	21.9%	18.6%	15.4%
	5	32.2%	27.2%	24.0%	20.8%
	6	36.3%	31.5%	28.3%	25.2%

Source: Adams Integra, January 2010

**Graph 4a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable Housing Across all Value Points  
Planning Infrastructure Level £5,000  
15% Developer's Profit**



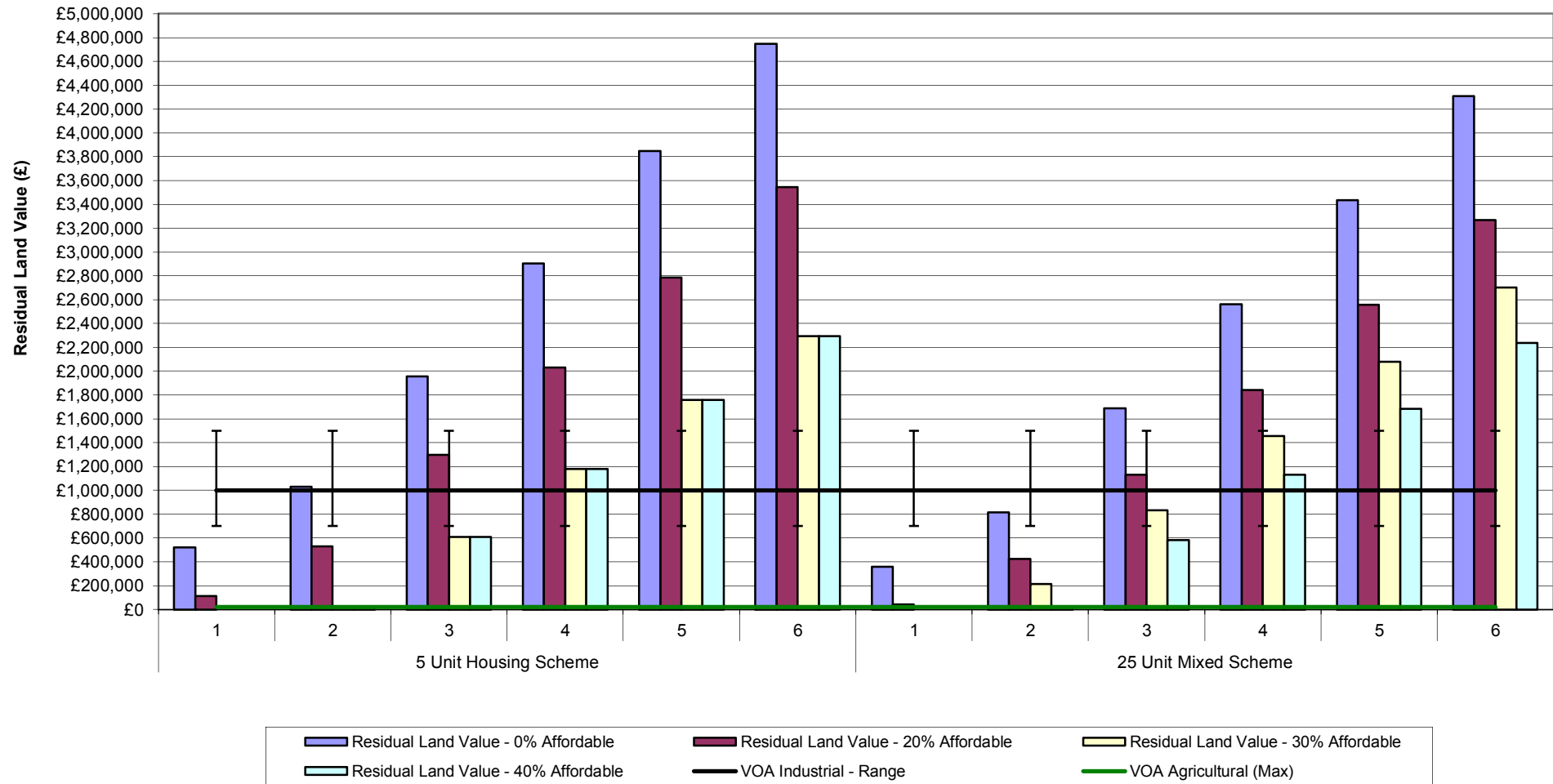
**Table 4b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
15% Developer's Profit**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	0.13	£519,995	£114,435	£0	£0
	2	0.13	£1,030,028	£530,785	£21,137	£21,137
	3	0.13	£1,955,766	£1,298,327	£606,629	£606,629
	4	0.13	£2,902,311	£2,029,335	£1,180,200	£1,180,200
	5	0.13	£3,848,857	£2,786,571	£1,759,837	£1,759,837
	6	0.13	£4,745,966	£3,543,808	£2,292,213	£2,292,213
25 Unit Mixed Scheme	1	0.63	£359,396	£40,650	£0	£0
	2	0.63	£814,430	£423,332	£214,210	£24,367
	3	0.63	£1,688,039	£1,131,362	£831,663	£582,758
	4	0.63	£2,561,648	£1,843,756	£1,455,607	£1,130,109
	5	0.63	£3,435,257	£2,556,151	£2,079,551	£1,683,467
	6	0.63	£4,308,866	£3,268,545	£2,703,495	£2,236,825

Source: Adams Integra, January 2010



**Graph 4b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points -  
Planning Infrastructure Level £5,000  
15% Developer's Profit**



**Table 5: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
20% Developer's Profit**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	£25,332	£0	£0	£0
	2	£86,420	£31,441	£0	£0
	3	£198,950	£123,073	£45,185	£45,185
	4	£306,035	£212,557	£113,909	£113,909
	5	£417,138	£297,146	£180,807	£180,807
	6	£522,796	£386,029	£243,817	£243,817
25 Unit Mixed Scheme	1	£41,930	£0	£0	£0
	2	£316,967	£106,854	£0	£0
	3	£826,412	£520,677	£360,225	£222,402
	4	£1,339,125	£938,774	£722,698	£540,423
	5	£1,851,837	£1,356,871	£1,088,885	£865,183
	6	£2,364,550	£1,774,969	£1,455,071	£1,189,944

Source: Adams Integra, January 2010

**Graph 5: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Planning Infrastructure Level £5,000**  
**20% Developer's Profit**

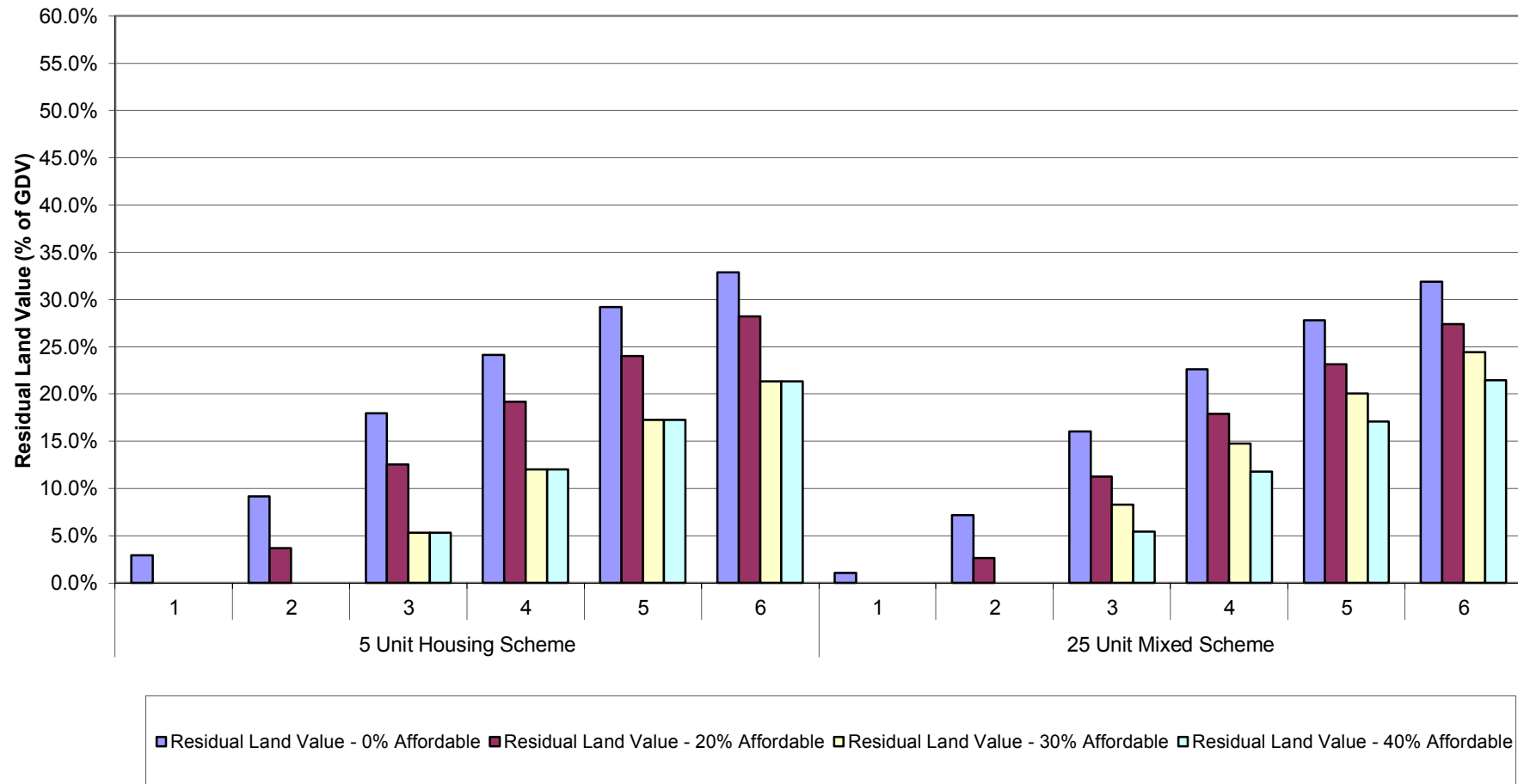


**Table 5a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
20% Developer's Profit**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	2.9%	0.0%	0.0%	0.0%
	2	9.1%	3.7%	0.0%	0.0%
	3	18.0%	12.6%	5.3%	5.3%
	4	24.1%	19.2%	12.0%	12.0%
	5	29.2%	24.0%	17.3%	17.3%
	6	32.9%	28.2%	21.3%	21.3%
25 Unit Mixed Scheme	1	1.0%	0.0%	0.0%	0.0%
	2	7.2%	2.7%	0.0%	0.0%
	3	16.0%	11.2%	8.3%	5.4%
	4	22.6%	17.9%	14.8%	11.8%
	5	27.8%	23.1%	20.1%	17.1%
	6	31.9%	27.4%	24.4%	21.5%

Source: Adams Integra, January 2010

**Graph 5a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable  
Housing Across all Value Points  
Planning Infrastructure Level £5,000  
20% Developer's Profit**

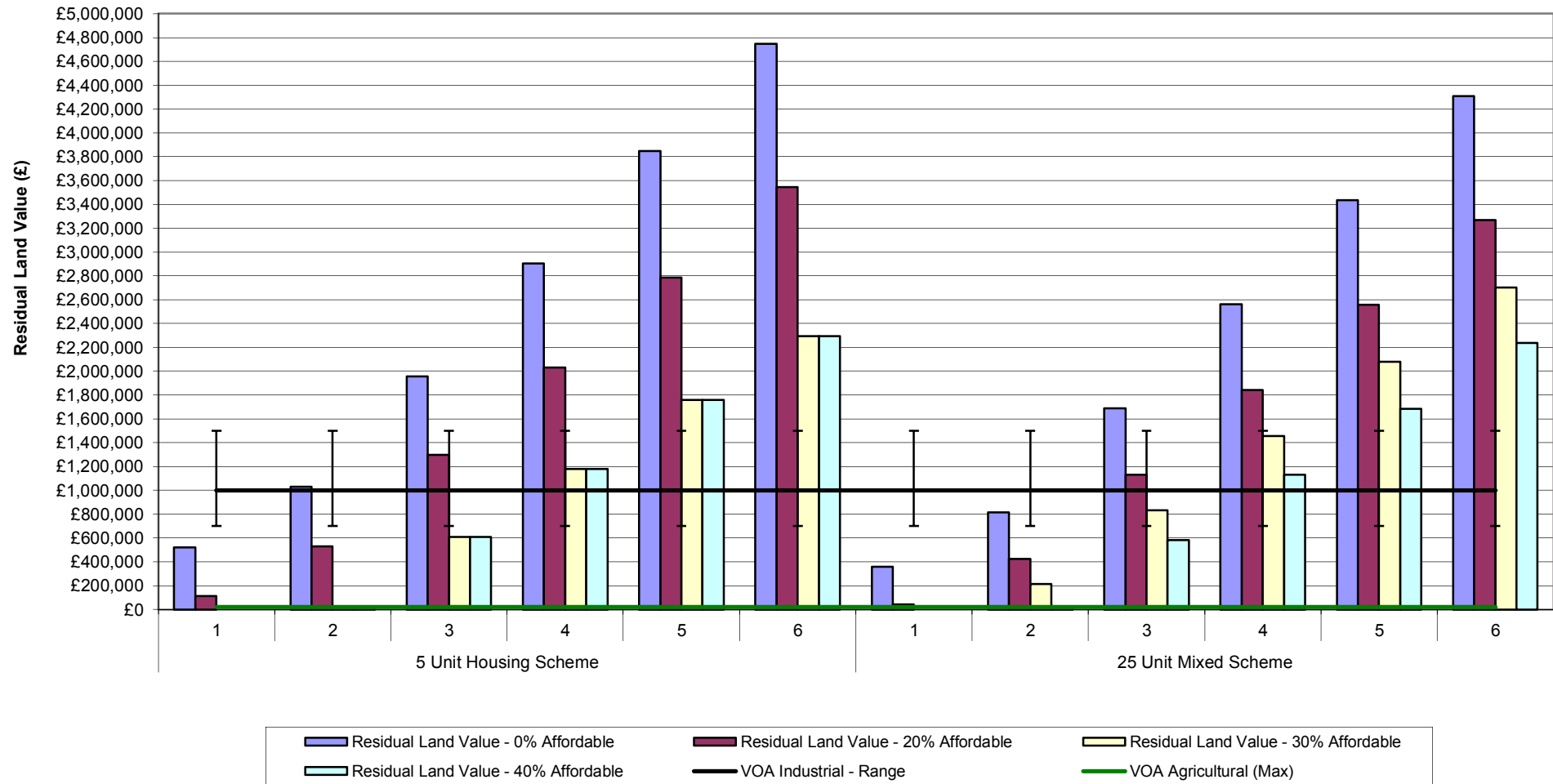


**Table 5b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Planning Infrastructure Level £5,000  
20% Developer's Profit**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	0.13	£202,655	£0	£0	£0
	2	0.13	£691,359	£251,525	£0	£0
	3	0.13	£1,591,601	£984,581	£361,484	£361,484
	4	0.13	£2,448,277	£1,700,460	£911,275	£911,275
	5	0.13	£3,337,107	£2,377,171	£1,446,456	£1,446,456
	6	0.13	£4,182,370	£3,088,235	£1,950,533	£1,950,533
25 Unit Mixed Scheme	1	0.63	£67,088	£0	£0	£0
	2	0.63	£507,148	£170,966	£0	£0
	3	0.63	£1,322,259	£833,083	£576,360	£355,843
	4	0.63	£2,142,600	£1,502,039	£1,156,317	£864,677
	5	0.63	£2,962,940	£2,170,994	£1,742,216	£1,384,294
	6	0.63	£3,783,280	£2,839,950	£2,328,114	£1,903,910

Source: Adams Integra, January 2010

**Graph 5b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points -**  
**Planning Infrastructure Level £5,000**  
**20% Developer's Profit**



## **Appendix IId**

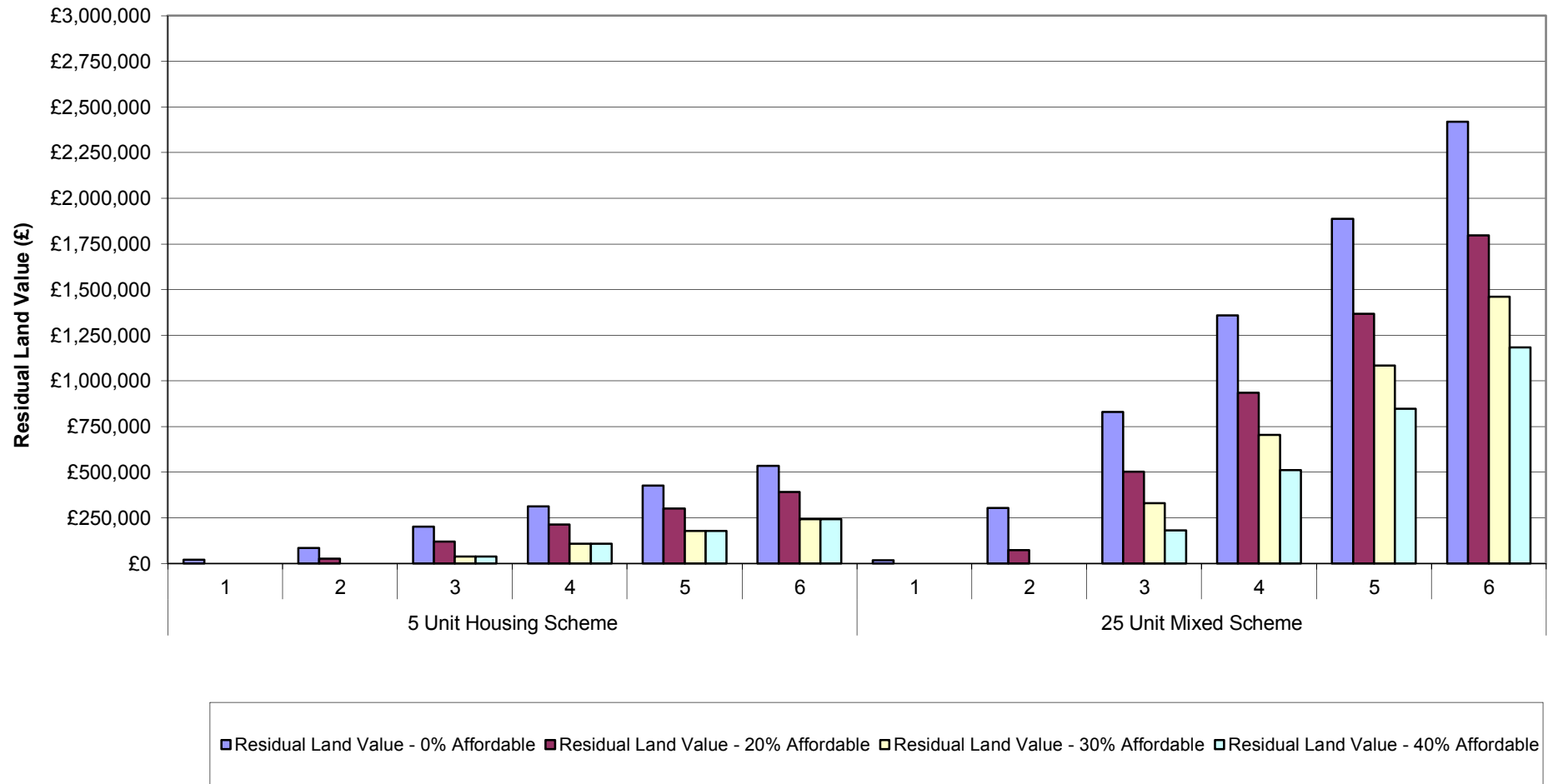


**Table 6: Summary of Residual Land Value (£) Appraisals for  
All Value Points  
Planning Infrastructure Level £10,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	£22,103	£0	£0	£0
	2	£85,174	£25,832	£0	£0
	3	£201,399	£120,439	£37,445	£37,445
	4	£312,041	£212,895	£108,400	£108,400
	5	£426,752	£300,363	£177,561	£177,561
	6	£535,881	£392,132	£242,801	£242,801
25 Unit Mixed Scheme	1	£19,098	£0	£0	£0
	2	£303,791	£74,497	£0	£0
	3	£830,018	£503,189	£330,861	£182,908
	4	£1,359,377	£934,861	£705,526	£512,670
	5	£1,888,736	£1,366,533	£1,083,602	£847,975
	6	£2,418,095	£1,798,205	£1,461,678	£1,183,280

Source: Adams Integra, January 2010

**Graph 6: Summary of Residual Land Values at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points**  
**Planning Infrastructure Level £10,000**

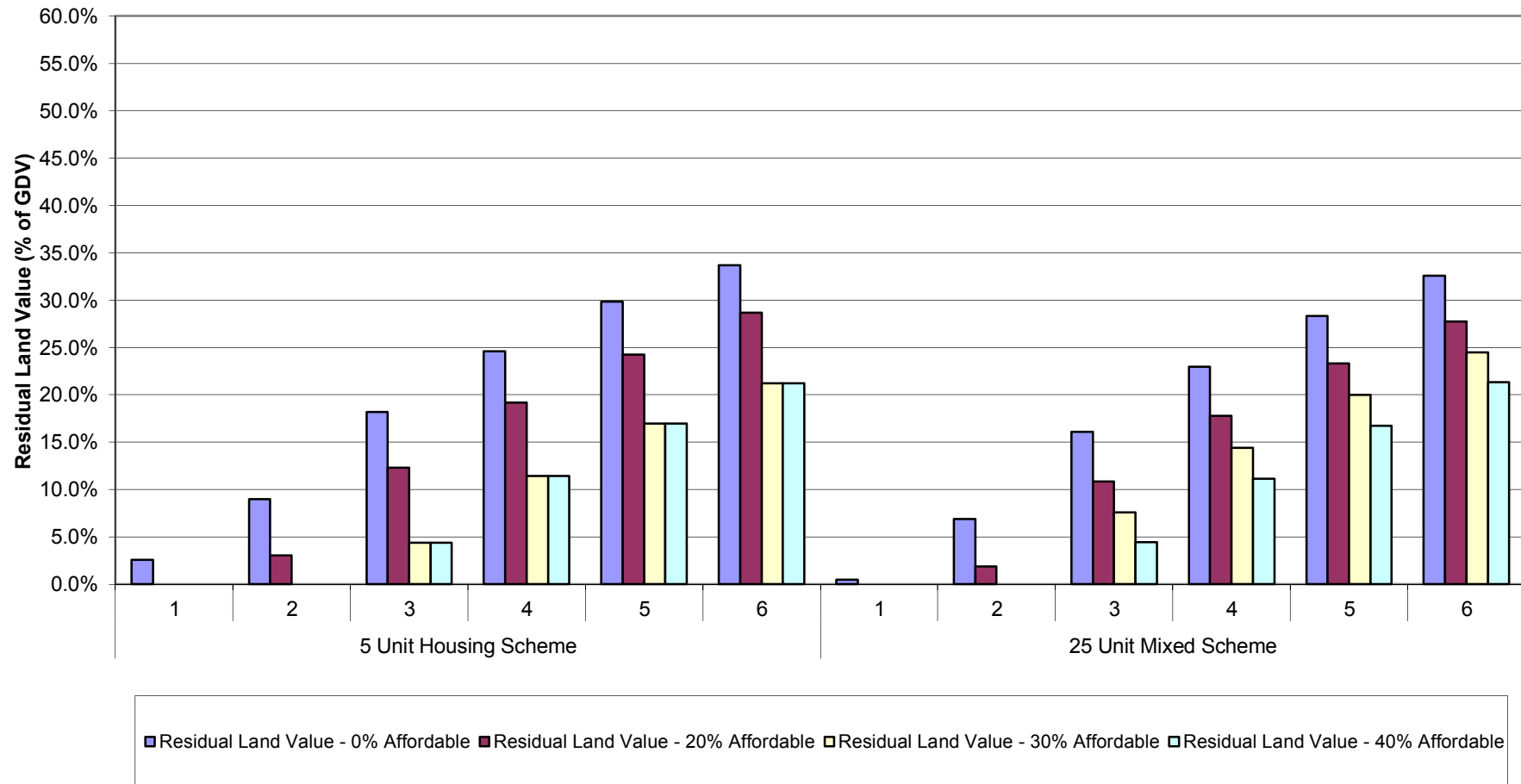


**Table 6a: Summary of Residual Land Value (as % of GDV) Appraisals for  
All Value Points  
Planning Infrastructure Level £10,000**

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	2.6%	0.0%	0.0%	0.0%
	2	9.0%	3.0%	0.0%	0.0%
	3	18.2%	12.3%	4.4%	4.4%
	4	24.6%	19.2%	11.4%	11.4%
	5	29.8%	24.3%	17.0%	17.0%
	6	33.7%	28.7%	21.2%	21.2%
25 Unit Mixed Scheme	1	0.5%	0.0%	0.0%	0.0%
	2	6.9%	1.9%	0.0%	0.0%
	3	16.1%	10.9%	7.6%	4.4%
	4	23.0%	17.8%	14.4%	11.2%
	5	28.3%	23.3%	20.0%	16.7%
	6	32.6%	27.8%	24.5%	21.3%

Source: Adams Integra, January 2010

**Graph 6a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 30% & 40% Affordable Housing Across all Value Points  
Planning Infrastructure Level £10,000**

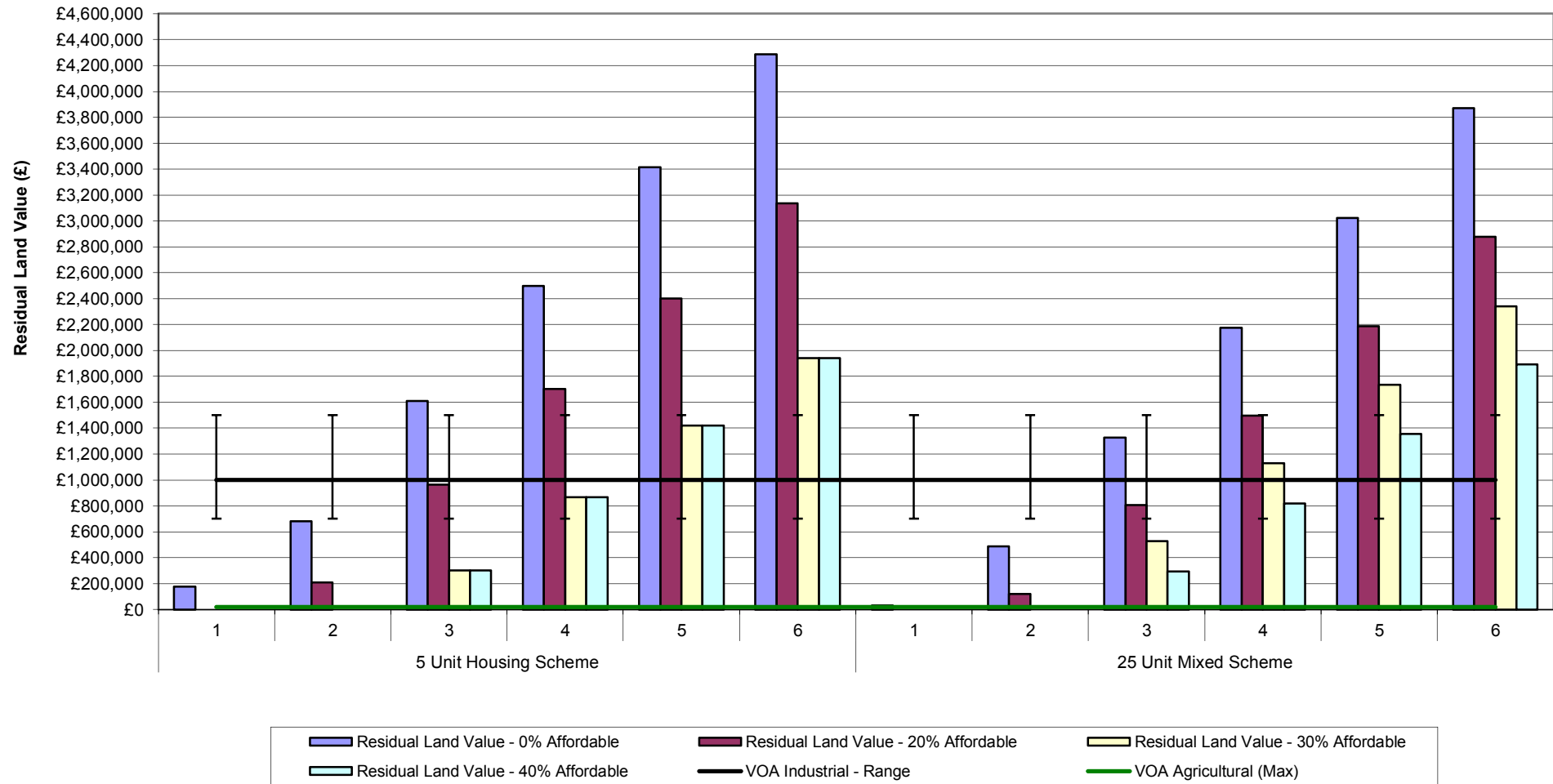


**Table 6b: Summary of Residual Land Value (£ per Ha) Appraisals for  
All Value Points  
Planning Infrastructure Level £10,000**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value - 20% Affordable	Residual Land Value - 30% Affordable	Residual Land Value - 40% Affordable
5 Unit Housing Scheme	1	0.13	£176,825	£0	£0	£0
	2	0.13	£681,396	£206,655	£0	£0
	3	0.13	£1,611,191	£963,511	£299,556	£299,556
	4	0.13	£2,496,329	£1,703,163	£867,198	£867,198
	5	0.13	£3,414,017	£2,402,906	£1,420,492	£1,420,492
	6	0.13	£4,287,048	£3,137,056	£1,942,408	£1,942,408
25 Unit Mixed Scheme	1	0.63	£30,557	£0	£0	£0
	2	0.63	£486,066	£119,195	£0	£0
	3	0.63	£1,328,029	£805,102	£529,378	£292,653
	4	0.63	£2,175,004	£1,495,777	£1,128,842	£820,273
	5	0.63	£3,021,978	£2,186,453	£1,733,763	£1,356,760
	6	0.63	£3,868,953	£2,877,128	£2,338,685	£1,893,248

Source: Adams Integra, January 2010

**Graph 6b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 30% & 40% Affordable Housing Across All Value Points - Planning Infrastructure Level £10,000**



## **Appendix IIe**

Appendix IIe: Test Valley Borough Council Payments in lieu of on-site provision - Value Points 1 to 6: 0%, 20%, 30% and 40% Equivalent Affordable Housing Provision

Value Point 1													
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent		
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment
1 House	1 x 3-bed house	£18,357	£734,281	10.7%	£10,048	£38,801	£344,035	5.0%	£15,072	£3,723	£148,912	2.2%	£20,096
2 Houses	2 x 3-bed houses	£36,714	£734,281	10.7%	£20,096	£17,202	£344,035	5.0%	£30,145	£7,446	£148,912	2.2%	£40,193
3 Houses	3 x 3-bed houses	£55,071	£734,281	10.7%	£30,145	£25,803	£344,035	5.0%	£45,217	£11,168	£148,912	2.2%	£60,289
4 Houses	4 x 3-bed houses	£73,428	£734,281	10.7%	£40,193	£34,403	£344,035	5.0%	£60,289	£14,891	£148,912	2.2%	£80,386
5 Houses	5 x 3-bed houses	£91,785	£734,281	10.7%	£50,241	£43,004	£344,035	5.0%	£75,362	£18,614	£148,912	2.2%	£100,482
9 Houses	9 x 3-bed houses	£163,561	£726,938	10.6%	£90,434	£77,408	£344,035	5.0%	£135,651	£33,505	£148,912	2.2%	£180,868
1 Flat	1 x 2-bed flat	£1,056	£52,793	0.8%	£7,711	£0	£0	0.0%	£11,567	£0	£0	0.0%	£15,423
2 Flats	2 x 2-bed flats	£2,112	£52,793	0.8%	£15,423	£0	£0	0.0%	£23,134	£0	£0	0.0%	£30,846
3 Flats	3 x 2-bed flats	£3,168	£52,793	0.8%	£23,134	£0	£0	0.0%	£34,701	£0	£0	0.0%	£46,269
4 Flats	4 x 2-bed flats	£4,223	£52,793	0.8%	£30,846	£0	£0	0.0%	£46,269	£0	£0	0.0%	£61,692
5 Flats	5 x 2-bed flats	£5,279	£52,793	0.8%	£38,557	£0	£0	0.0%	£57,836	£0	£0	0.0%	£77,114
9 Flats	9 x 2-bed flats	£9,503	£52,793	0.8%	£69,403	£0	£0	0.0%	£104,104	£0	£0	0.0%	£138,806

Value Point 2													
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent		
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment
1 House	1 x 3-bed house	£30,971	£1,238,852	16.4%	£11,053	£20,240	£809,581	10.7%	£16,580	£14,874	£594,946	7.9%	£22,106
2 Houses	2 x 3-bed houses	£61,943	£1,238,852	16.4%	£22,106	£40,479	£809,581	10.7%	£33,159	£29,747	£594,946	7.9%	£44,212
3 Houses	3 x 3-bed houses	£92,914	£1,238,852	16.4%	£33,159	£60,719	£809,581	10.7%	£49,739	£44,621	£594,946	7.9%	£66,118
4 Houses	4 x 3-bed houses	£123,885	£1,238,852	16.4%	£44,212	£80,958	£809,581	10.7%	£66,118	£59,495	£594,946	7.9%	£88,425
5 Houses	5 x 3-bed houses	£153,308	£1,226,463	16.2%	£55,265	£101,198	£809,581	10.7%	£82,898	£74,368	£594,946	7.9%	£110,531
9 Houses	9 x 3-bed houses	£270,379	£1,201,686	15.9%	£99,478	£180,334	£801,485	10.6%	£149,216	£132,524	£588,996	7.8%	£198,955
1 Flat	1 x 2-bed flat	£10,737	£536,828	7.4%	£8,483	£2,501	£125,028	1.7%	£12,724	£0	£0	0.0%	£16,965
2 Flats	2 x 2-bed flats	£21,473	£536,828	7.4%	£16,965	£5,001	£125,028	1.7%	£25,448	£0	£0	0.0%	£33,930
3 Flats	3 x 2-bed flats	£32,210	£536,828	7.4%	£25,448	£7,502	£125,028	1.7%	£38,172	£0	£0	0.0%	£50,896
4 Flats	4 x 2-bed flats	£42,946	£536,828	7.4%	£33,930	£10,002	£125,028	1.7%	£50,896	£0	£0	0.0%	£67,861
5 Flats	5 x 2-bed flats	£53,683	£536,828	7.4%	£42,913	£12,503	£125,028	1.7%	£63,619	£0	£0	0.0%	£84,826
9 Flats	9 x 2-bed flats	£96,629	£536,828	7.4%	£76,343	£22,505	£125,028	1.7%	£114,515	£0	£0	0.0%	£152,687

Value Point 3													
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent		
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment
1 House	1 x 3-bed house	£54,623	£2,184,921	24.7%	£12,937	£42,062	£1,682,480	19.0%	£19,406	£35,781	£1,431,259	16.2%	£25,874
2 Houses	2 x 3-bed houses	£109,246	£2,184,921	24.7%	£25,874	£84,124	£1,682,480	19.0%	£38,811	£71,563	£1,431,259	16.2%	£51,748
3 Houses	3 x 3-bed houses	£163,870	£2,163,072	24.4%	£38,811	£124,924	£1,665,655	18.8%	£58,217	£107,344	£1,431,259	16.2%	£77,623
4 Houses	4 x 3-bed houses	£216,307	£2,163,072	24.4%	£51,748	£166,565	£1,665,655	18.8%	£77,623	£141,695	£1,416,846	16.0%	£103,497
5 Houses	5 x 3-bed houses	£269,744	£2,119,374	23.9%	£64,686	£208,207	£1,665,655	18.8%	£97,028	£177,118	£1,416,846	16.0%	£129,371
9 Houses	9 x 3-bed houses	£476,859	£2,119,374	23.9%	£116,434	£367,201	£1,632,005	18.4%	£174,651	£312,372	£1,388,321	15.7%	£232,868
1 Flat	1 x 2-bed flat	£28,888	£1,444,395	17.0%	£9,928	£19,248	£962,402	11.3%	£14,893	£14,428	£721,405	8.5%	£19,857
2 Flats	2 x 2-bed flats	£57,776	£1,444,395	17.0%	£19,857	£38,496	£962,402	11.3%	£29,785	£28,856	£721,405	8.5%	£39,714
3 Flats	3 x 2-bed flats	£86,664	£1,444,395	17.0%	£29,785	£57,744	£962,402	11.3%	£43,284	£43,284	£721,405	8.5%	£59,571
4 Flats	4 x 2-bed flats	£115,552	£1,444,395	17.0%	£39,714	£76,992	£962,402	11.3%	£59,571	£67,712	£721,405	8.5%	£79,428
5 Flats	5 x 2-bed flats	£142,995	£1,429,951	16.8%	£49,642	£96,240	£962,402	11.3%	£74,464	£72,141	£721,405	8.5%	£99,285
9 Flats	9 x 2-bed flats	£252,191	£1,401,064	16.5%	£89,356	£171,500	£952,778	11.2%	£134,034	£128,554	£714,191	8.4%	£178,713

Value Point 4													
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent		
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment
1 House	1 x 3-bed house	£78,275	£3,130,991	30.8%	£14,821	£63,884	£2,555,378	25.2%	£22,232	£56,689	£2,267,572	22.3%	£29,842
2 Houses	2 x 3-bed houses	£156,550	£3,099,681	30.5%	£29,642	£126,491	£2,529,825	24.9%	£44,463	£113,379	£2,267,572	22.3%	£59,285
3 Houses	3 x 3-bed houses	£234,826	£3,099,681	30.5%	£44,463	£189,737	£2,529,825	24.9%	£66,695	£168,367	£2,244,896	22.1%	£88,927
4 Houses	4 x 3-bed houses	£303,706	£3,037,062	29.9%	£59,285	£247,872	£2,478,717	24.4%	£88,927	£224,490	£2,244,896	22.1%	£118,569
5 Houses	5 x 3-bed houses	£379,633	£3,037,062	29.9%	£74,106	£309,840	£2,478,717	24.4%	£111,159	£274,943	£2,199,545	21.7%	£148,212
9 Houses	9 x 3-bed houses	£676,234	£3,005,752	29.8%	£133,390	£551,962	£2,453,163	24.2%	£200,086	£489,796	£2,176,869	21.5%	£266,781
1 Flat	1 x 2-bed flat	£47,039	£2,351,962	24.2%	£11,374	£35,996	£1,799,776	18.5%	£17,062	£30,474	£1,523,682	15.7%	£22,749
2 Flats	2 x 2-bed flats	£94,078	£2,351,962	24.2%	£22,749	£71,991	£1,799,776	18.5%	£34,123	£60,947	£1,523,682	15.7%	£45,497
3 Flats	3 x 2-bed flats	£139,707	£2,328,443	23.9%	£34,123	£107,987	£1,799,776	18.5%	£51,185	£91,421	£1,523,682	15.7%	£68,246
4 Flats	4 x 2-bed flats	£186,275	£2,328,443	23.9%	£45,497	£142,542	£1,781,778	18.3%	£68,246	£121,895	£1,523,682	15.7%	£90,995
5 Flats	5 x 2-bed flats	£232,844	£2,328,443	23.9%	£56,872	£178,178	£1,781,778	18.3%	£86,308	£150,845	£1,508,445	15.5%	£113,744
9 Flats	9 x 2-bed flats	£410,653	£2,281,404	23.4%	£102,369	£314,241	£1,745,762	17.9%	£153,554	£266,035	£1,477,972	15.2%	£204,739

Value Point 5													
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent		
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment
1 House	1 x 3-bed house	£101,827	£4,077,061	35.8%	£18,705	£85,727	£3,428,207	30.0%	£25,058	£77,997	£3,193,885	27.1%	£33,410
2 Houses	2 x 3-bed houses	£203,654	£4,036,291	35.3%	£37,410	£171,700	£3,393,904	29.7%	£50,116	£153,642	£3,072,846	26.9%	£66,821
3 Houses	3 x 3-bed houses	£296,606	£3,954,749	34.8%	£50,116	£249,407	£3,325,429	29.1%	£75,173	£230,463	£3,072,846	26.9%	£100,231
4 Houses	4 x 3-bed houses	£395,476	£3,954,749	34.8%	£66,821	£332,543	£3,325,429	29.1%	£100,231	£301,077	£3,010,769	26.3%	£133,642
5 Houses	5 x 3-bed houses	£489,247	£3,913,979	34.2%	£83,526	£415,679	£3,325,429	29.1%	£125,289	£376,346	£3,010,769	26.3%	£167,052
9 Houses	9 x 3-bed houses	£880,645	£3,913,979	34.2%	£150,347	£740,508	£3,251,146	28.8%	£225,520	£670,439	£2,979,730	26.1%	£300,694
1 Flat	1 x 2-bed flat	£65,191	£3,259,529	29.7%	£12,820	£52,743	£2,637,149	24.0%	£19,230	£46,519	£2,325,960	21.2%	£25,641
2 Flats	2 x 2-bed flats	£129,077	£3,226,934	29.4%	£25,641	£105,486	£2,637,149	24.0%	£38,461	£93,038	£2,325,960	21.2%	£51,281
3 Flats	3 x 2-bed flats	£193,616	£3,226,934	29.4%	£38,461	£156,647	£2,610,778	23.8%	£57,691	£138,162	£2,302,700	21.0%	£76,922
4 Flats	4 x 2-bed flats	£252,839	£3,161,744	28.8%	£51,281	£208,862	£2,610,778	23.8%	£76,922	£184,216	£2,302,700	21.0%	£102,562
5 Flats	5 x 2-bed flats	£316,174	£3,161,744	28.8%	£64,101	£255,804	£2,558,035	23.3%	£96,152	£230,270	£2,302,700	21.0%	£128,203
9 Flats	9 x 2-bed flats	£563,247	£3,129,148	28.5%	£115,382	£460,446	£2,558,035	23.3%	£173,074	£406,113	£2,256,181	20.6%	£230,765

Value Point 6																
Scheme Size	Mix	0% Affordable Equivalent			20% Affordable Equivalent			30% Affordable Equivalent			40% Affordable Equivalent					
		RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)	Commuted Payment	RLV (£)	RLV (per Ha)	RLV (% of GDV)
1 House	1 x 3-bed house	£124,322	£4,972,900	39.1%	£18,589	£107,529	£4,301,176	33.8%	£27,884	£98,505	£3,940,198	31.0%	£37,178	£89,481	£3,579,221	28.1%
2 Houses	2 x 3-bed houses	£243,622	£4,872,437	38.3%	£37,178	£212,908	£4,258,164	33.5%	£55,768	£195,040	£3,900,796	30.6%	£74,357	£177,171	£3,543,429	27.8%
3 Houses	3 x 3-bed houses	£365,433	£4,872,437	38.3%	£55,768	£312,911	£4,172,141	32.8%	£83,652	£286,649	£3,821,992	30.0%	£111,535	£260,388	£3,471,944	27.3%
4 Houses	4 x 3-bed houses	£482,221	£4,822,206	37.9%	£74,357	£417,214	£4,172,141	32.8%	£111,535	£382,199	£3,821,992	30.0%	£148,714	£347,184	£3,471,844	27.3%
5 Houses	5 x 3-bed houses	£602,776	£4,822,206	37.9%	£92,946	£516,141	£4,129,129	32.4%	£139,419	£477,749	£3,821,992	30.0%	£185,892	£433,981	£3,471,844	27.3%
9 Houses	9 x 3-bed houses	£1,084,996	£4,822,206	37.9%	£167,303	£929,054	£4,129,129	32.4%	£260,955	£851,083	£3,782,580	29.7%	£334,006	£773,112	£3,436,052	27.0%
1 Flat	1 x 2-bed flat	£163,597	£4,125,426	34.9%	£25,856	£137,591	£3,430,523	28.5%	£39,728	£162,556	£3,086,594	25.4%	£55,839	£261,856	£2,781,950	22.8%
2 Flats	2 x 2-bed flats	£163,597	£4,125,426	34.9%	£25,856	£137,591	£3,430,523	28.5%	£39,728	£162,556	£3,086,594	25.4%	£55,839	£261,856	£2,781,950	22.8%
3 Flats	3 x 2-bed flats	£242,525	£4,042,084	33.1%	£42,798	£206,387	£3,430,778	28.2%	£64,198	£185,817	£3,086,594	25.4%	£85,597	£165,248	£2,754,131	22.6%
4 Flats	4 x 2-bed flats	£323,367	£4,042,084	33.1%	£57,065	£269,623	£3,370,288	27.6%	£85,597	£242,751	£3,034,390	24.9%	£114,129	£220,330	£2,720,330	22.6%
5 Flats	5 x 2-bed flats	£404,208	£4,042,084	33.1%	£71,331	£337,029	£3,370,288	27.6%	£106,996	£303,439	£3,034,390	24.9%	£142,662	£269,849	£2,698,492	22.1%
9 Flats	9 x 2-bed flats	£720,074	£4,000,413	32.8%	£128,395	£600,398	£3,355,542	27.3%	£192,593	£540,559	£3,003,107	24.6%	£256,791	£480,721	£2,670,672	22.1%



**Average Residual Land Value as Percentage of GDV on Sites of 0% Affordable Housing -  
Test Valley Borough Council Viability Study**

	Value Point 1	Value Point 2	Value Point 3	Value Point 4	Value Point 5	Value Point 6	Housing Mix
1 House	28.1%	16.4%	24.7%	30.9%	35.6%	39.1%	1 x 3-bed house
2 Houses	10.7%	16.4%	24.7%	30.5%	35.3%	38.3%	2 x 3-bed houses
3 Houses	10.7%	16.4%	24.4%	30.5%	34.6%	38.3%	3 x 3-bed houses
4 Houses	10.7%	16.4%	24.4%	29.9%	34.6%	37.9%	4 x 3-bed houses
5 Houses	10.7%	16.2%	23.9%	29.9%	34.2%	37.9%	5 x 3-bed houses
9 Houses	10.6%	15.9%	23.9%	29.6%	34.2%	37.9%	9 x 3-bed houses
1 Flat	22.8%	7.4%	17.0%	24.2%	29.7%	34.1%	1 x 2-bed flat
2 Flats	0.8%	7.4%	17.0%	24.2%	29.4%	33.8%	2 x 2-bed flat
3 Flats	0.8%	7.4%	17.0%	23.9%	29.4%	33.1%	3 x 2-bed flats
4 Flats	0.8%	7.4%	17.0%	23.9%	28.8%	33.1%	4 x 2-bed flats
5 Flats	0.8%	7.4%	16.8%	23.9%	28.8%	33.1%	5 x 2-bed flats
9 Flats	0.8%	7.4%	16.5%	23.4%	28.5%	32.8%	9 x 2-bed flats
Average	9.0%	11.8%	20.6%	27.1%	31.9%	35.8%	
Overall Average	25.4%						

Unit \ Value Point	Value Point 1	Value Point 2	Value Point 3	Value Point 4	Value Point 5	Value Point 6
1-Bed Flat	£102,000	£112,200	£131,325	£150,450	£169,575	£188,700
2-Bed Flat	£132,000	£145,200	£169,950	£194,700	£219,450	£244,200
2-Bed House	£152,000	£167,200	£195,700	£224,200	£252,700	£281,200
3-Bed House	£172,000	£189,200	£221,450	£253,700	£285,950	£318,200
4-Bed House	£202,000	£222,200	£260,075	£297,950	£335,825	£373,700

## **Appendix III**

## Appendix III

### Updated Property Prices Report for Test Valley Borough Council

#### Viability Study Update 2009/10 - Background

##### Introduction

Adams Integra was asked to provide an updated affordable housing viability assessment on behalf of Test Valley Borough Council. The study contributes to keeping the Council's information up-to-date and evidence base topical as it continues to consider the development of LDF policies for affordable housing.

As with the underpinning of the previous viability study work completed in 2004 and 2007, and again a key part of our methodology, updated research was carried out to inform appraisal assumptions on a range of new build housing values applicable to taking a strategic overview of the viability of residential development within the Borough.

Again, we use a Values Points methodology. That looks at how viability varies as the key driver of the new build property values vary – by location (or scheme type) and/or with time (i.e. as potentially influenced by varying market conditions).

In addition to new build pricing, so that we could update our wider feel for the local market and value patterns within it, desktop research was also undertaken to enable us to consider values in a wider sense (relating to the overall – resales dominated – market).

The initial desktop research involved looking at an overview of values in different locations across the Borough using property websites (for example, RightMove). Adams Integra's interpretation of the data is shown below, indicating the variation in values across the Borough. It is acknowledged that much of this information is marketing price based. However, combined with taking soundings from local agents and others, and making allowances in arriving at the range of values we apply, we consider this to give us a more up-to-date and dynamic picture than we get through relying on historic data which often does not clearly reflect property types and sizes, or latest knowledge and experience of market conditions. The key lies in selecting an appropriate range of values at which to study viability.

Wider market overview information has also been included, as drawn from market reports and indices provided by organisations such as the RICS and Land Registry.

The study process meant fixing assumptions in Spring 2010, so those were necessarily supported by such information as was available up to that date. Market reporting is included as available at that point, and that is set out first – see below. However, Adams Integra has been aware of market conditions throughout the study period. On closing the study, therefore, we have provided updated general market information and comment as well as some refreshed research on new build schemes available in the Borough at September 2010.

As this part of the work was kept open while the study proceeded, this Appendix may contain some incomplete information where details were not available or not received following enquiries we made. This is not an exhaustive piece of property market research, but aimed to sweep up information as was readily available in the process of informing a suitable range of values assumptions for our strategic overview of development viability.

## Housing Market Overview

*In this section the italic text is attributed to a range of sources – as stated in each case. Accompanying notes or comments by Adams Integra are not in italics. Any emphasis using **bold** text is by Adams Integra.*

### Royal Institution of Chartered Surveyors (RICS)

The **November 2009 RICS Housing Market Survey** ran with the headline '**Buyer interest continues to outstrip the fresh supply of property**'.

- **New instructions rose for the sixth consecutive month but are still lagging behind the increase in buyer interest.**
- **The sales to stock ratio continues to edge up as do price and sales expectations although the latter two series increased at a more modest pace in November compared with October.**

Below these headlines they reported:

*'The seasonally adjusted net balance of surveyors reporting rising rather than falling prices over the last three month rose to 35% in November from 34%. This was the best reading since November 2006.*

*The latest survey provides further evidence that most housing market activity indicators continue to improve, albeit at a more modest pace than in recent months. The net balance of surveyors reporting an increase rather than a decrease in new buyer enquiries (compared with the previous month) slipped to 28% from 30% when measured on a seasonally adjusted basis. Although this is some way down on the recent high of 66% in June, it is still indicative of an increasing level of buyer interest in the market. The agreed sales net balance tells a broadly similar story with the positive net balance slipping back to 24% from 28% in October.'*

The survey also includes market comments by surveyors' (involved in residential estate agency). The following were just examples typical of the range of sentiments expressed, including by surveyors within the Test Valley area:

*'Demand is up, but supply is limited.'*

*'There is a marked lack of instructions and demand is falling away. Despite the hike in VAT and stamp duty from January, purchasers are more busy preparing for Christmas and New Year. Small traditional houses are selling for owner occupation, speculative property is in demand but only if priced competitively.... '*

*'There is a feeling in the market that "Christmas has come early", but fortunately there remain sufficient committed vendors and purchasers to keep ongoing transactional business. In the broader context, we should not be debating the Liberal Democrat's mansion tax proposal, but urge*

*the Chancellor of The Exchequer to make drastic changes to the outdated stamp duty legislation – it is time for change now.'*

*'Market activity has started to decline, the number of survey enquiries has fallen away. The market is starved of saleable stock. The shortage has stabilised prices but it is expected that values will decline over the next 3 months until the Spring. Only those properties either in good locations or those offering good value for money will sell. ....Flats did not enjoy the benefit of the better market activity through the Spring and early summer. The outlook for flats remains uncertain.'*

Source: RICS Economics – November 2009 RICS Housing Market Survey

The **June 2010 RICS Housing Market Survey** ran with the headline **'Weaker demand and increasing supply hits price expectations'**.

- **New instructions continue to rise, while new buyer enquiries decline.**
- **Price expectations turn negative, but sales outlook remains positive.**
- London and Scotland remain clear outperformers.

Below these headlines they reported:

*"The June 2010 RICS Housing Market Survey headline net price balance fell from +21 to +9. This is the lowest reading since July 2009. Buyer interest fell for the first time since the beginning of this year (the net balance slipped from +8 to -5), while property coming onto the market increased at the fastest pace since May 2007 (the net balance rose from +22 to +27). One of the factors driving the sharp increase in instructions was the abolition of HIPs in May.*

*Reflecting the increase in new vendor instructions, the average stock of property on surveyor's books increased by 8.1% on the month to 66.6 per surveyor. Meanwhile, the average number of completed sales only rose by 0.8% on the month to 16.7 per surveyor. As a result, the sales to stock ratio – a key indicator of market slack – fell to 25%, the lowest level since June 2009. On the back of the shift in the demand/supply balance and the drop in the sales to stock ratio, it is not surprising that price expectations turned slightly negative; the net balance slipped from +4 to -4, the lowest level since May 2009. Sales expectations remain positive overall, but less optimistic than last month with the net balance falling from +32 to +19".*

The survey also includes market comments by surveyors' (involved in residential estate agency). The following were just examples typical of the range of sentiments expressed:

*'Not seen the increase in sellers expected as a result of HIPs being abolished. This is a pity because what the market needs is input of new properties to tempt the buyers in the market who are tired of seeing the same and often over priced stock.'*

*'Sales still being agreed but actually getting through to exchange is hard work. Mortgages are available but criteria are strict and it is all taking so much longer. More sales falling through sometimes for what seem minor reasons.'*

*'Good applicant activity, but they are being very cautious and want value for money. Vendors are becoming more realistic about current selling values.'*

Source: RICS Economics – June 2010 RICS Housing Market Survey

The RICS Economics Blog commented on this survey as follows:

***“House price growth moderates on increasing supply”***

*“The June 2010 RICS Housing Market Survey... showed that increasing supply and weaker demand has dampened price expectations. The price net balance fell from +21 to +9, and is the lowest reading since July 2009. The number of new instructions to sell increased at the fastest pace since May 2007, where the net balance picked up from +22 to +27. RICS surveyors believe that the abolition of HIPs in May is driving the sharp increase in property coming onto the market. Meanwhile, the average number of completed transactions only rose by 0.8% on the month to 16.7 per surveyor.”*

*Interestingly, the Communities and Local Government House Price Index showed an increase in the index. Commenting on these results, Simon Rubinsohn, RICS Chief Economist, said:*

*“The latest house price statistics from CLG add to uncertainty about the current state of the residential market. The 0.7 per cent gain recorded in May on this series is stronger than the increase suggested by the Nationwide Building Society (for the same month) and contrasts with the declines reported by Halifax and the Land Registry. This divergence in part reflects the fact that the indices are gathering price data at different points in the house purchase process. However, relatively low transaction volumes may also be adding to the volatility of the individual series.”*

*“Notwithstanding this, the key indicators from the latest RICS Housing Market Survey all suggest the second half of the year will be softer in terms of pricing than the first half. New instructions are now outstripping buyer interest and this has been reflected in the RICS price expectations series turning negative. The regional dimension is likely to remain significant, however. Price expectations are still positive in London, the South East, Scotland and the East Midlands but strongly negative in Wales, East Anglia and much of Northern England.”*

Source: [http://www2.rics.org/AspNetForums/blogs/rics\\_economics\\_blog/archive/2010/07/13/house-price-growth-moderates-on-increasing-supply.aspx](http://www2.rics.org/AspNetForums/blogs/rics_economics_blog/archive/2010/07/13/house-price-growth-moderates-on-increasing-supply.aspx)

**We can inform our feel for house price trends over the study period with reference to the Land Registry House Price Index, as follows:**

**Land Registry - House Price Index October 2009** (released 27 November 2009)

England & Wales - Monthly change -0.6%; annual change -3.4%; average price £159,546

South East - Monthly change 1.3%; annual change -1.5%; average price £201,245

Hampshire - Monthly change 0.9%; annual change -6.8%; average price £197,161

*‘The Land Registry data for October shows a positive monthly house price change of 0.6%, which is the fifth month in a row in which the movement has been above 0 per cent.’*

*‘The annual change now stands at -3.4 per cent. This is the sixth month in a row in which the fall in annual change has eased....’*

*'Sales volumes averaged 52,608 per month from May to August 2009. In comparison to this, during the same months last year, the figure stood at 56,107.'*

Source: Land Registry – House Price Index October 2009

### **Land Registry - House Price Index January 2010 (released 26 February 2010)**

England & Wales - Monthly change 2.1%; annual change 5.2%; average price £165,088  
(By this stage the recent more positive house price changes had further eroded previous reductions and we saw prices ahead of their position a year earlier).

South East - Monthly change 2.5%; annual change 8.5%; average price £209,227

Hampshire - Monthly change 0.2%; annual change 3.4%; average price £203,748

*'The January data shows an annual house price movement of 5.2 per cent, which is the second month in a row in which the figure has been positive. While not all regions are recovering at the same rate, it is clear that overall prices are increasing.'*

*'Monthly house price change is also positive this month at 2.1 per cent. This is the eighth consecutive month that the figure has been above zero.'*

*'Transaction volumes averaged 57,722 per month from August to November 2009. In comparison to this, the figure was 42,523 during the same months the year before.'*

Source: Land Registry – House Price Index January 2010

### **Other Housing Market Information Sources**

#### **Interest rates:**

The Bank of England Base Rate remained at a historically low 0.5% through the study period. Despite this, finance for property (mortgages for purchase, and development finance) remains constrained and is not generally available on favourable terms relative to this interest rates backdrop.

#### **Mortgage Approvals**

As at 12 July 2010, the Council of Mortgage Lender's mortgage 'Lending for house purchase and remortgage'<sup>1</sup> website page stated as a headline:

#### ***'Movers spend lowest ever average proportion of income on their mortgages'***

*'Borrowers moving home in May saw their mortgage interest payments accounting for the lowest proportion of their income in 35 years, according to new data from the Council of Mortgage Lenders, and house purchase lending rose from a year ago for the 11th consecutive month. But with the challenging economic backdrop, government spending cuts and forthcoming tax increases the positive trend is likely to tail off in the second half of this year. Monthly comparisons with a year earlier will probably be near zero or modestly negative over the coming months. This is*

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<sup>1</sup> <http://www.cml.org.uk/cml/media/press/2468>

*because we had an improving market in the second half of 2009 as the stamp duty holiday came to an end.*

*House purchase lending rose modestly in May. The 42,000 loans (worth £6 billion) were up 2% in volume and 3% in value on April and 15% in volume and 28% in value from a year earlier.*

*CML director general Michael Coogan commented:*

*“House purchase lending continues its recovery but positive comparisons with equivalent months a year ago look unlikely to continue. Activity picked up in the second half of 2009 due to the stamp duty holiday but with the government's austerity drive picking up momentum we are unlikely to see a repeat of those buoyant numbers this year. Our forecast for gross lending in 2010 may now be looking a little optimistic.”*

Source: Council of Mortgage Lenders website – 12 July 2010: [www.cml.org.uk](http://www.cml.org.uk)

## **Housing Market Overview – Updated at study closing stages**

### **October/November 2010**

#### **Royal Institution of Chartered Surveyors (RICS)**

The **September 2010 RICS Housing Market Survey** ran with the headline ***‘Price balance still negative in September’***

- **Increased supply of property continues to act as drag on prices.**
- **New enquiries look to be stabilising.**
- **Sales expectations remain positive.**

‘The [September RICS Housing Market Survey](#) continued to show more surveyors reporting falling rather than rising prices, with the headline price net balance declining from -32 to -36, the third consecutive monthly fall. That said, half of all respondents indicated that prices have been broadly stable over the last three months.

The latest drop in prices continues to reflect the high level of new instructions coming to the market at a time when buyer enquiries have been slipping. New instructions picked up in September from +12 to +22, while the net balance for new buyer enquiries moderated from -17 to -2.

Significantly the gap between the two series (a good lead indicator for future price behaviour) narrowed for the third consecutive month. The average sales per surveyor remained constant at 16.7 during the month.

Meanwhile, the average number of properties on surveyors’ books recorded a 1.9% rise on the month to 69.1 (negating last month’s similar fall). As a result of the rise in stocks per surveyor, the sales to stock ratio edged down from 24.7% to 24.2%.

Looking forward, the price expectations net balance continued to deteriorate, slipping from -38 to -41. Meanwhile the net balance for newly agreed sales stabilised. Sales expectations in September were still positive although a little less than in August.



.....and again a selection of agents' comment contributions to the survey, as examples of the views expressed:

*'A good level of housing stock is generating a lot of viewing, but purchasers are now more selective and feel there is no urgency to make decisions/offers quickly. However, well presented, well priced and well located houses continue to sell.'*

*'Buyer confidence a problem due to negative media reports. Job insecurity and difficulty with mortgages still creating a slow middle market.'*

*'September has been the busiest month we have had since the general election. There appears, at last, to be an acceptance by vendors of the realities of the market and their sights have been lowered resulting in acceptable offers being made. It's still a struggle to get through the financial and legal hurdles that follow offers.'*

*'A busy month but not as much to show for it as August. Stock has increased but offers slow to come in and deals not as easy to make. But the market is not dead by any means. There is no sign of any significant fall in prices - it is much more a case of adjustments where properties are overpriced.'*

*'There has been a noticeable increase in viewings and sales since the end of the Summer school holidays but continuing difficulties with availability of mortgage funds is hampering market recovery.'*

Source: RICS Economics – September 2010 RICS Housing Market Survey

The **October 2010 RICS Housing Market Survey**, released in November 2010 ran with the headline ***'Demand for property continues to fall.'***

- **New instructions slip back marginally after recent gains.**
- **New enquiries remain negative.**
- **Sales expectations continue to be positive albeit less so than previously.**

*'The October RICS Housing Market Survey shows more surveyors reporting prices falling rather than rising. The headline price net balance declined from -36 to -49, the lowest reading since April 2009.'*

*Meanwhile, there was also another drop in new buyer enquiries, with the net balance declining from -2 to -12. New instructions fell slightly in October, from 16.7 to 15.2 (compared with the long run average of 26.8). Similarly the average number of properties on surveyors' books declined by 2.7% on the month to 67.2. Due to the fall in sales this month, the sales to stock ratio slipped from 24.2% to 22.6%.*

*Newly agreed sales declined sharply, with the net balance decreasing from 0 to -12 (negating last month's improvement). Looking forward, sales expectations remain positive, with surveyors expecting transaction levels to rise albeit at a slower pace than in September. Meanwhile price expectations remained weak in October, with the net balance falling from -41 to -42.'*

.....and again a selection of agents' comment contributions to the survey, as examples of the views expressed – including by some firms operating in or close to Test Valley (predominantly in Hampshire/Wiltshire):

*'The market is what I call a "pins and needles" market. Most people are sat on their hands and have been for a month or so now such that the blood has stopped flowing. There are one or two opportunists out there looking for bargains. The budget cuts are due for release on 20 October but the real effects on jobs and contracts will not be fully known for a month or two so I suspect that this market will stagnate until the New Year. Thereafter and when the effects have been assessed and inevitably found not to be so dire as predicted, life will go on, and the market will commence slow recovery.'*

*'A very patchy and uncertain period. Confidence was not improved by the public sector Spending Review. South Hampshire could have suffered worse defence cuts. Historically low mortgages say it all. The remainder of 2010 will be affected by seasonal and Christmas trends. Vendors must listen to considered advice and not be greedy.'*

*'Sales continue to proceedable buyers at realistic prices. Now is not the time to quote guide prices above values. There is a need for realism.'*

*'No confidence, limited mortgage, cautious buyers, bad outlook.'*

*'Lack of confidence amongst buyers becoming more apparent.'*

*'Some buyers are holding off making a decision, as they wait to see the impact of spending cuts in UK public sector on their own financial position, and on the market more generally.'*

*'Over supply of property for sale is putting downward pressure on prices, only realistic vendors are achieving sales.'*

*'A difficult month. People were waiting for economic statement to begin with, then blaming it afterwards. Middle range still selling, but activity levels well down. Getting good price reductions as well as reducing stock levels for the winter. No first time buyers.'*

*'Despite reduced activity and very jittery buyers, we are still selling houses. It will inevitably become quieter over the next 2 months.'*

*'It is very difficult to read the market at present due to uncertainties.....'*

Source: RICS Economics – October 2010 RICS Housing Market Survey

### **Land Registry - House Price Index August 2010 (released 28 September 2010)**

England & Wales - Monthly change 0.3%; annual change 6.7%; average price £167,423

South East - Monthly change 0.9%; annual change 9.4%; average price £213,807

Hampshire - Monthly change 0.5%; annual change 10.1%; average price £211,303

*'August's monthly house price change of 0.3 per cent is the fifth month in a row in which the movement has been positive. It is, however, a fall from last month's figure.'*

*'Annual house price change has remained positive for 10 consecutive months, with a movement of 6.7% in August. This is a slight decrease from last month's figure.'*

*'Sales volumes have increased from last year. In March to June 2009, transaction volumes averaged 43,825 per month, while in the same figure this year the average was 43,089 sales.'*

Source: Land Registry – House Price Index August 2010

**Land Registry - House Price Index October 2010 (released 26 November 2010)**

England & Wales – Monthly change 0.8%; annual change 3.4%; average price £165,505.

South East - Monthly change -1.2%; annual change 4.3%; average price £209,873

Hampshire - Monthly change -0.1%; annual change 6.6%; average price £211,642

We can see here that Hampshire house price trends remained more positive than those for the South East region; although exhibited the same downward direction – meaning a declining rate of annual house price increase and some erosion of recent gains. The average Hampshire house price had moved ahead of that for the region, although by this stage indications were that prices were beginning to fall back again to some degree. At the end of summer/early autumn 2010 the recent positive trends had switched and we appeared to be entering a further period of uncertainty and reduced confidence. It is very early to say, and only time will tell, but it appears to point to the relative fragility of the period of market recovery that we have seen.

*'The data for October shows that monthly house price change has fallen below zero for the second month in a row, with a movement of -0.8 per cent. This monthly fall is the largest seen since February 2009.'*

*'Annual house price growth stands at 3.4 per cent, which is the fifth consecutive month in which the figure has fallen.'*

*'Sales volumes have increased over the past year, from an average of 55,614 transactions a month in May to August 2009, to 59,512 in the same period this year.'*

Source: Land Registry – House Price Index October 2010

## Resale Property Values in Test Valley – November 2009

The tables below show the marketing (or, where available, subject to contract sale) price of various types of property within Test Valley Borough. The information was collected from [www.rightmove.co.uk](http://www.rightmove.co.uk). It is likely that actual sales values were lower than the figures set out below, however, this exercise served to add to our understanding of local value levels and patterns.

For each location reviewed there are two tables. The first table shows the average price of each dwelling type. The second table shows the information in terms of average, minimum, 1<sup>st</sup> quartile, median (2<sup>nd</sup> quartile), 3<sup>rd</sup> quartile and maximum price. This is so that the range of values, as well as typical value levels, can be better understood.

### Andover

	1 Bed	2 Bed	3 Bed	4 Bed
<b>Detached</b>		-	£241,325	£316,099
<b>Semi-Detached</b>		£175,521	£196,932	£229,484
<b>Terraced</b>		£157,596	£167,488	£186,919
<b>Flats</b>	£106,837	£148,496		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£106,837	£64,950	£93,711	£114,950	£124,950	£125,000
2-Bed Flats	£148,496	£90,000	£125,700	£142,450	£152,999	£375,000
2-Bed Houses	£161,286	£129,950	£152,700	£159,973	£166,838	£199,950
3-Bed Houses	£195,228	£125,000	£169,950	£184,995	£215,000	£415,000
4-Bed Houses	£294,509	£149,950	£249,961	£279,950	£326,875	£485,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

### Romsey

	1 Bed	2 Bed	3 Bed	4 Bed
<b>Detached</b>		£308,330	£308,724	£366,452
<b>Semi-Detached</b>		£202,498	£225,045	£299,995
<b>Terraced</b>		£203,357	£228,154	£254,988
<b>Flats</b>	£130,535	£197,865		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£130,535	£89,950	£124,950	£135,950	£149,995	£159,950
2-Bed Flats	£197,865	£135,000	£171,121	£193,250	£213,749	£299,950
2-Bed Houses	£219,017	£169,950	£179,984	£189,975	£237,496	£349,995
3-Bed Houses	£232,976	£169,000	£197,450	£225,000	£249,963	£395,000
4-Bed Houses	£329,599	£204,950	£288,711	£337,473	£350,000	£569,950

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Stockbridge

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		£195,000	£330,000	£575,000
Semi-Detached		£295,000	£333,750	-
Terraced		-	-	-
Flats	-	£149,950		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	£149,950	£149,950	£149,950	£149,950	£149,950	£149,950
2-Bed Houses	£245,000	£195,000	£220,000	£245,000	£270,000	£295,000
3-Bed Houses	£333,000	£310,000	£330,000	£330,000	£345,000	£350,000
4-Bed Houses	£575,000	£425,000	£500,000	£575,000	£650,000	£725,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Valley Park

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£309,829	£349,227
Semi-Detached		-	£226,213	£336,000
Terraced		£177,720	£234,967	-
Flats	-	£155,000		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	£155,000	£155,000	£155,000	£155,000	£155,000	£155,000
2-Bed Houses	£177,720	£150,000	£176,238	£179,950	£181,863	£190,000
3-Bed Houses	£260,189	£205,000	£221,238	£244,475	£253,738	£499,950
4-Bed Houses	£348,210	£247,000	£319,950	£337,475	£383,738	£485,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## North Baddesley

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£332,486	£336,392
Semi-Detached		-	£212,092	£285,000
Terraced		£169,167	£225,833	£237,475
Flats	£134,986	£160,406		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	£134,986	£122,500	£122,500	£131,225	£143,711	£154,995
2-Bed Flats	£160,406	£130,000	£159,995	£164,973	£169,984	£172,500
2-Bed Houses	£169,167	£157,500	£166,250	£175,000	£175,000	£175,000
3-Bed Houses	£239,608	£185,000	£199,950	£215,000	£274,975	£380,000
4-Bed Houses	£305,361	£225,000	£265,000	£299,950	£339,950	£399,995

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Kings Somborne

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	£419,950	£690,000
Semi-Detached		£250,000	£319,975	-
Terraced		-	-	-
Flats	-	-		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	-	-	-	-	-	-
2-Bed Houses	£250,000	£250,000	£250,000	£250,000	£250,000	£250,000
3-Bed Houses	£353,300	£299,950	£319,975	£340,000	£379,975	£419,950
4-Bed Houses	£690,000	£585,000	£637,500	£690,000	£742,500	£795,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Middle Wallop

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		£195,000	-	-
Semi-Detached		-	-	-
Terraced		£165,000	-	-
Flats	-	£235,000		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000
2-Bed Houses	£180,000	£165,000	£172,500	£180,000	£187,500	£195,000
3-Bed Houses	-	-	-	-	-	-
4-Bed Houses	-	-	-	-	-	-

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Broughton

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		£319,983	£400,000	-
Semi-Detached		£249,950	£235,000	-
Terraced		-	£349,950	-
Flats	-	-		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	-	-	-	-	-	-
2-Bed Houses	£302,475	£199,950	£237,450	£307,475	£372,500	£395,000
3-Bed Houses	£356,990	£235,000	£330,000	£349,950	£395,000	£475,000
4-Bed Houses	-	-	-	-	-	-

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Nether Wallop

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	-	£895,000
Semi-Detached		-	£228,000	-
Terraced		-	-	-
Flats	-	-		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	-	-	-	-	-	-
2-Bed Houses	-	-	-	-	-	-
3-Bed Houses	£228,000	£228,000	£228,000	£228,000	£228,000	£228,000
4-Bed Houses	£895,000	£895,000	£895,000	£895,000	£895,000	£895,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

## Chilbolton

	1 Bed	2 Bed	3 Bed	4 Bed
Detached		-	-	£605,000
Semi-Detached		-	-	-
Terraced		-	-	-
Flats	-	-		

	Overall Average	Minimum	1st Quartile	Median	3rd Quartile	Maximum
1-Bed Flat	-	-	-	-	-	-
2-Bed Flats	-	-	-	-	-	-
2-Bed Houses	-	-	-	-	-	-
3-Bed Houses	-	-	-	-	-	-
4-Bed Houses	£605,000	£545,000	£582,500	£620,000	£635,000	£650,000

November 2009, [www.rightmove.co.uk](http://www.rightmove.co.uk)

Average Asking Prices Analysis							
Rank	Settlement	1 Bed Flats	2 Bed Flats	2 Bed House	3 Bed House	4 Bed House	All Properties
1	Chilbolton	-	-	-	-	£605,000	£605,000
2	Nether Wallop	-	-	-	£228,000	£895,000	£561,500
3	Kings Somborne	-	-	£250,000	£353,300	£690,000	£448,317
4	Stockbridge	-	£149,950	£245,000	£333,000	£575,000	£345,495
5	Broughton	-	-	£302,475	£356,990	-	£332,761
6	Valley Park	-	£155,000	£177,720	£260,189	£348,210	£284,892
7	North Baddesley	£134,986	£160,406	£169,167	£239,608	£305,361	£234,047
8	Romsey	£130,535	£197,865	£219,017	£232,976	£329,599	£229,988
9	Andover	£106,837	£148,496	£161,286	£195,228	£294,509	£207,043
10	Middle Wallop	-	£235,000	£180,000	-	-	£198,333
-	Overall	£124,612	£172,258	£190,246	£224,542	£335,223	£236,130

The above figures excluded the following, to avoid skewing of the averages displayed above.

Average Asking Prices Analysis - High Value Properties				
Rank	Settlement	Flats	Houses	All Properties
1	Nether Wallop	-	£895,000	£895,000
2	Stockbridge	-	£725,000	£725,000
3	Kings Somborne	-	£607,475	£607,475
4	Valley Park	-	£447,475	£447,475
5	Broughton	-	£411,667	£411,667
6	Romsey	-	£347,498	£347,498
7	Andover	£300,000	£415,000	£338,333
-	Overall	£300,000	£506,241	£476,778



## Reminder of/comparison with previous – from 2007 study

### December 2006 Data (for 2007 study)

Area	Dwelling Type				
	1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	All
Andover	£117,972	£152,016	£160,345	£200,934	<b>£157,817</b>
Romsey	£151,682	£197,902	£216,232	£231,677	<b>£199,373</b>
Stockbridge*/Valley Park/North Baddesley	-	£140,650	£188,752	£245,122	<b>£191,508</b>
Average	<b>£134,827</b>	<b>£163,523</b>	<b>£188,443</b>	<b>£225,911</b>	<b>£182,899</b>

\* Including Kings Sombourne/Middle Wallop/Broughton/Nether Wallop/Chilbolton

### November 2009 Data Comparison

Average Asking Prices Analysis							
Rank	Settlement	1 Bed Flats	2 Bed Flats	2 Bed House	3 Bed House	4 Bed House	All Properties
1	Stockbridge*/Valley Park/North Baddesley	£134,986	£166,932	£208,845	£273,996	£388,578	£292,285
2	Romsey	£130,535	£197,865	£219,017	£232,976	£329,599	£229,988
3	Andover	£106,837	£148,496	£161,286	£195,228	£294,509	£207,043
-	Overall	<b>£124,612</b>	<b>£172,258</b>	<b>£190,246</b>	<b>£224,542</b>	<b>£335,223</b>	<b>£236,130</b>

\* Including Kings Sombourne/Middle Wallop/Broughton/Nether Wallop/Chilbolton

Average Asking Prices Analysis - High Value Properties				
Rank	Settlement	Flats	Houses	All Properties
1	Andover	£300,000	£415,000	£895,000
2	Romsey	-	£347,498	£725,000
3	Stockbridge*/Valley Park/North Baddesley	-	£551,656	£607,475
-	Overall	<b>£300,000</b>	<b>£506,241</b>	<b>£476,778</b>

\* Including Kings Sombourne/Middle Wallop/Broughton/Nether Wallop/Chilbolton

The tables above collate the average prices of the different property types for each of the locations considered.

The tables below are derived from the above information and show the averages within Test Valley areas by property type.

Average Asking Price Analysis		
1 Bed Flat	-	£124,612
2 Bed Flat	-	£172,258
2 Bed House	Terraced	£174,199
	Semi-Detached	£202,383
	Detached	£284,368
3 Bed House	Terraced	£198,026
	Semi-Detached	£216,986
	Detached	£287,752
4 Bed House	Terraced	£229,963
	Semi-Detached	£265,599
	Detached	£360,259

The following related to high value properties which were excluded from the above averages to avoid skewing of the above figures.

Average Asking Price Analysis - High Value Properties		
1 Bed Flat	-	-
2 Bed Flat	-	£300,000
2 Bed House	-	£363,749
3 Bed House	-	£440,980
4 Bed House	-	£805,000

### **New Build property being marketed in Test Valley – November 2009**

The new build pricing information was collated through on the ground (site) and desktop research. The site research involved travelling throughout the area to view new developments and, where on-site selling was occurring, speaking to those sales agents wherever possible. Where this was not possible and we felt further information was needed, we contacted housebuilders' sales staff by telephone or email, or reviewed their web-sites further, to supplement the information gathered where necessary.

In addition to speaking to on-site sales agents, Adams Integra also requested opinions from estate agents in Test Valley with regard to the local market together with any comments on new build schemes and sales values.

Information on new developments was also collected through desktop research using websites such as [www.rightmove.co.uk](http://www.rightmove.co.uk), [www.primelocation.com](http://www.primelocation.com) and [www.smartnewhomes.com](http://www.smartnewhomes.com).

This review of new build pricing - of all advertised available properties at the time of the study research phase - enabled us to underpin our judgements on the various value levels (range of 'value points') to be assumed for the variety of dwelling types applied within our appraisal modelling.

## New Builds being marketed in Test Valley – November 2009

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%	Developer/ Agent	Incentives
<b>Andover</b>									
<b>Flats</b>									
Off Icknield Way, Andover, SP10	2 bed flat (from)	£169,995	66.2	£2,570	£2,056	£2,313	£2,827	Taylor Wimpey	Part exchange. 5% Deposit Paid
Vincent Drive, Andover	1 bed flat	£114,950						Connells	
<b>Averages</b>		<b>£142,473</b>							
<b>Houses</b>									
Icknield Way, Andover, SP10	6 bed detached (from)	£369,995	145.0	£2,551	£2,041	£2,296	£2,806	Bryant Homes	Fully Integrated, kitchen & flooring included & 5% Deposit paid - selected plots only
	4 bed detached (from)	£314,995	137.2	£2,296	£1,837	£2,066	£2,525		
	4 bed detached (from)	£299,995	124.2	£2,416	£1,933	£2,175	£2,658		
	4 bed town house (from)	£299,995	150.8	£1,989	£1,592	£1,791	£2,188		
	4 bed town house (from)	£219,995							
	2 bed terrace (from)	£209,995	119.1	£1,763	£1,411	£1,587	£1,940		
	3 bed terrace (from)	£179,995	73.6	£2,447	£1,958	£2,203	£2,692		
	4 bed detached (from)	£299,995	142.7	£2,102	£1,682	£1,892	£2,313	Taylor Wimpey	Part exchange. 5% Deposit Paid
	4 bed detached (from)	£269,995	127.8	£2,112	£1,690	£1,901	£2,323		
	4 bed detached (from)	£264,995	122.8	£2,158	£1,726	£1,942	£2,373		
	4 bed end terrace (from)	£244,995	114.0	£2,149	£1,719	£1,934	£2,364		
	3 bed town house (from)	£224,995	102.2	£2,202	£1,761	£1,982	£2,422		
	3 bed end terrace (from)	£184,995	76.1	£2,432	£1,945	£2,188	£2,675		
	2 bed terrace (from)	£149,995	57.7	£2,600	£2,080	£2,340	£2,860		
	3 bed detached	£229,995	119.1	£1,931	£1,545	£1,738	£2,124		
	4 bed semi detached	£244,995	107.7	£2,275	£1,820	£2,048	£2,503		
	4 bed detached	£244,995	102.8	£2,382	£1,906	£2,144	£2,621		
	2 bed terrace	£170,000						Sentinel Housing	NewBuild HomeBuy
	2 bed terrace	£167,500							
	2 bed terrace	£165,000							
<b>Averages</b>		<b>£237,871</b>	<b>114.2</b>	<b>2,231.26</b>	<b>1,785.01</b>	<b>2,008.13</b>	<b>2,454.39</b>		

Romsey									
Flats									
Broadwater Road, Romsey, SO51	1 bed flat (from)	£159,950						Homes & Co of Romsey	
Averages		£159,950							
Houses									
Whitenap Lane, Romsey, SO51	3 bed detached single storey (Guide Price)	£395,000						Woolley & Wallis	
Romsey, Hampshire, SO51	12 bed detached (Guide Price)	£3,995,000						Land & New Homes	
Averages		£395,000							
Michelmersh									
Houses									
Rudd Lane, Michelmersh, SO51	4 bed detached (from)	£585,000						Banner Homes	
	4 bed semi detached (from)	£445,000							
	4 bed semi detached (from)	£445,000							
	4 bed semi detached (from)	£445,000							
	4 bed detached (from)	£475,000							
Averages		£479,000							

Overall Averages		£272,226	111.1	£2,257	£1,806	£2,032	£2,483
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## New Builds being marketed in Test Valley – September 2010

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%	Developer/ Agent	Incentives
Andover									
Flats									
Augusta Park, East Anton, Andover	2 bed flat (from)	£162,950						Connells	Part exchange available
East Anton, Andover, SP11	2 bed flat	£159,950						Bellway Homes Ltd	
Recreation Road, Andover	2 bed flat	£162,500	62.7	2591.71	£2,073	£2,333	£2,851	Connells	
	2 bed flat	£152,500							
	2 bed flat (from)	£152,500							
	2 bed flat (from)	£152,500							
	2 bed flat (from)	£152,500							
Off Icknield Way, Andover, SP10	2 bed flat (from)	£159,995	65.3	2449.78	£1,960	£2,205	£2,695	Taylor Wimpey	Part exchange available, 5% deposit paid
Vincent Drive, Andover	1 bed flat (from)	£91,960						Connells	80/20 Shared Equity Available
Averages		£149,706	64.01	£2,521	£2,017	£2,269	£2,773		
Houses									
Icknield Way, Andover, SP10	6 bed detached (from)	£359,995	145.2	£2,479	£1,983	£2,231	£2,727	Bryant Homes	
	4 bed detached (from)	£329,995	130.7	£2,524	£2,019	£2,272	£2,777		
	4 bed town house (from)	£309,995	151.6	£2,044	£1,635	£1,840	£2,249		
	4 bed detached (from)	£299,995	108.7	£2,761	£2,209	£2,485	£3,037		
	4 bed detached (from)	£269,995	106.2	£2,543	£2,035	£2,289	£2,798		
	4 bed town house (from)	£239,995	90.7	£2,647	£2,118	£2,382	£2,912		
	3 bed terrace (from)	£189,995	73.6	£2,583	£2,067	£2,325	£2,842		
Off Icknield Way, Andover, SP10	5 bed detached (from)	£349,995	185.8	£1,884	£1,507	£1,695	£2,072	Taylor Wimpey	Part exchange, 5% Deposit Paid
	4 bed detached (from)	£299,995	142.7	£2,102	£1,682	£1,892	£2,313		
	4 bed detached (from)	£269,995	127.8	£2,112	£1,690	£1,901	£2,323		
	4 bed detached (from)	£264,995	122.8	£2,158	£1,726	£1,942	£2,373		
	4 bed detached (from)	£239,995	107.7	£2,229	£1,783	£2,006	£2,452		
	3 bed town house (from)	£222,995	101.2	£2,204	£1,763	£1,984	£2,425		
	3 bed detached (from)	£209,995	89.5	£2,347	£1,878	£2,112	£2,582		
	3 bed semi detached (from)	£194,995	87.1	£2,240	£1,792	£2,016	£2,464		

East Anton, Andover, SP11	4 bed detached	£359,950						Bellway Homes Ltd	
	4 bed detached	£349,950	153.4	£2,282	£1,826	£2,054	£2,510		
	4 bed detached	£299,950	152.6	£1,965	£1,572	£1,769	£2,162		
	4 bed detached	£299,950							
	4 bed detached	£289,950	152.6	£1,900	£1,520	£1,710	£2,090		
	3 bed detached	£250,000							
	3 bed detached	£235,000							
	3 bed detached	£234,950							
	3 bed end terrace (from)	£213,950	93.5	£2,289	£1,831	£2,060	£2,518		
	3 bed terrace	£212,950	93.5	£2,278	£1,822	£2,050	£2,506		
	3 bed end terrace (from)	£206,950	93.5	£2,214	£1,771	£1,992	£2,435		
	3 bed end terrace (from)	£196,950							
	3 bed end terrace	£175,950	58.6	£3,004	£2,403	£2,703	£3,304		
	2 bed terrace	£169,950	65.8	£2,584	£2,067	£2,326	£2,842		
	2 bed terrace	£159,950	65.8	£2,432	£1,946	£2,189	£2,675		
2 bed terrace	£154,950	57.5	£2,697	£2,157	£2,427	£2,966			
Redbridge Drive, Andover	3 bed detached	£285,000						Ashwells Estate Agents	
	3 bed detached	£285,000							
Averages		£255,583	110.31	£2,340	£1,872	£2,106	£2,574		
Romsey									
Flats									
Broadwater Road, Romsey, SO51	1 bed serviced flat (from)	£159,950						Homes & Co	
Houses									
Linden Road, Romsey	4 bed detached	£895,000	180.0	£4,972	£3,978	£4,475	£5,469	Penyards Country Properties	
Romsey	4 bed detached	£595,000	82.7	£7,195	£5,756	£6,475	£7,914	Pearsons	
Averages		£745,000	131.35	£6,083	£4,867	£5,475	£6,692		
Michelmersh									
Houses									
Rudd Lane, Michelmersh, SO51	5 bed detached (from)	£825,000						Banner Homes	
	3 bed end terrace (from)	£375,000							
	3 bed terrace (from)	£350,000							
Averages		£516,667							

Over Wallop									
Houses									
Printers Place, Horshells Drive, Over Wallop, Hampshire	3 bed terrace (from)	£239,950	102.2	2346.93	£1,878	£2,112	£2,582	Savills	
Averages		£239,950	102.24	£2,347	£1,878	£2,112	£2,582		
North Baddesley									
Houses									
Upper Crescent Road, North Baddesley	4 bed detached	£399,950						Jonathan Rees Property Services	
	4 bed detached	£399,950							
	3 bed detached bungalow	£349,950							
Averages		£383,283							

Overall Averages		£277,996	108.36	£2,602	£2,082	£2,342	£2,862		
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**Reminder of New Builds that were being marketed in Test Valley – December 2006  
(Previous study)**

Location	Address	Description	Price	Developer (D) and/or Agent (A)	Notes
Andover	Brookside, River Way	1-bed flat	£130,000	Connells (A)	
		2-bed flat	£150,000		
		2-bed flat	£155,000		
		3 x 2-bed flat	£160,000		
Andover	Waverley Hall, Andover Town	1-bed flat	£145,000	Connells (A)	
		1-bed flat	£147,500		
		2-bed flat	£155,000		
		3 x 2-bed flat	£165,000		
		3-bed flat	£175,000		
Andover	Wykeham Place	6-bed detached	£675,000	Dreweatt Neate (A)	
		5-bed detached	£675,000		
Appleshaw	The Old Courtyard	2 x 3-bed terraced	£395,000	Dreweatt Neate (A)	
		2 x 3-bed terraced	£425,000		
		2 x 3-bed terraced	£475,000		
Barton Stacey	Roberts Road	4 x 1-bed flats	From £145,000	Aero Construction (D) Connells (A)	
North Baddesley	Rosslyn Mews	3 x 3-bed linked detached houses + parking	From £295,000	Connells (A)	
		2 x 4-bed detached houses + garage	From £355,000		
North Baddesley	Knights Grove	4 bed detached + en suite & garage	£395,000	George Wimpey (D)	
		2 bed flat	£160,000 (+)		
		3 bed house	£265,000 (+)		
		4 bed town house	£250,000 to £275,000		
		4 bed detached	£355,000		
		5 bed house	£400,000 (+)		
		6 bed house	£450,000 (+)		



## **Test Valley Borough Council Viability Study Update 2009/10**

### **Background – soundings from calls to local agents**

#### **Andover, Romsey, Stockbridge and other villages:**

Estate Agent Conversations:

##### **Pearsons Land and New Homes**

01280 224436

[www.Pearsons.com](http://www.Pearsons.com)

Andover:

This is the least expensive area in Test Valley - especially in the town centre. Local area economy largely HM Forces based. There are some big developments under way at the moment including Augusta Park (Taylor Wimpey and Bryant Homes) - here a new 3 bed terrace property being around £180,000. End values are low in Andover and so developers are shying away from any land deals. Suggests average for land price would be approximately 20/25% of the end value.

Romsey:

A market town and much better regarded in terms of strength of market as it is quite close to, and relates to, Winchester. There are good schools in the area and the area has much stronger values. There are some areas of development but no big developments. There is a brewery site that is due to be sold but limited knowledge about it. There is a development of 150+ houses at Abbots Wood (Bellway and Taylor Wimpey). Bellway has an outline planning permission on this scheme. It has an estate feel about it and so will not attract the top end of values in Romsey but would still achieve £225k. A standard 3 bed terrace new home would be between £225/£250K but if in a really desirable location could attract as much as £325/£350k. Here land values might represent 30+% of end value.

Cost to build all inclusive indicated to be around £1200 to £1500 per sq m.

Do not get involved with commercial sales.

##### **Carter Jonas**

01264 342342

[www.carterjonas.co.uk](http://www.carterjonas.co.uk)

Indicated the market in Andover residentially was strong and mentioned the Annington Homes scheme for the armed forces - over 2000+ homes being developed by Taylor Wimpey..... thought to be highly beneficial to other developments.

##### **Connells**

Land and Planning (Hampshire)

01256 357457

[www.connells.co.uk](http://www.connells.co.uk)

Explained that the market is going through a strange time at the moment. Test Valley, like a lot of areas, has quite a bit of variety.

Andover tends to be the area for the mass market – relatively cheap but nonetheless attractive. Housebuilders are involved in the area although the market in general tends to play down Andover's attractiveness. It tends to see all of the big developments in Test Valley (e.g. Annington – Taylor Wimpey, amongst others). It has the military connection and the further west you go from Andover the more army-based it becomes. Smaller developments do not tend to be around Andover as there are not many smaller sites available. Taylor Wimpey has quite a large land bank so not much land around for Connells to market. New build values would be around the £200 per sq ft. Andover has a reasonable amount of employment and there is a shopping centre on the way.

Romsey is more sought after area than Andover and has more land available in smaller plots - more of a variety of land ownership. Not everyone wants to live on these new large estates that Andover has being built. Better schools and benefits from its proximity to Winchester. Romsey is more expensive – new build would be around £250 per sq ft.

Generally there hasn't been much of a land market for the last 2/3 years but Connells feel that the market is beginning to pick up again and they are very positive. A few years ago land would have been sold at around the £1.5mill per acre but that price has dropped considerably in recent years. On the property overall valuation about 35/40% would be attributable to land cost.

Only have experience of residential. Commercial in Andover is very poor quality. Went on to mention the next development plan – also mentioned Picket Piece as the next big application (1000+ units) - just been submitted for outline planning?

Also contacted (with either no success in contacting or no information available):

Pearsons Estate Agents (Residential) in Andover.

Pearsons (Commercial).

Fox Grant (Commercial).

### **Land and Commercial Property/Land availability:**

Web-based review, including of:

- UK Land Directory;
- Selfbuildabc.co.uk;
- findaproperty.co.uk
- selfbuildpartnership.co.uk;
- Development land for sale;
- greenbelt land;
- UK land and farms;
- selfbuildland.co.uk;
- perfectplot.co.uk;
- plotbrowser.co.uk;
- plotsetc.co.uk;
- Carter Jonas;
- Pearson estate agents;
- knightfrank.co.uk;
- Savills;
- Bourne Estate Agents
- Vantage land;
- Land Watch.

See range information and indications outlined below. Note that these show just how variable scenarios and expectations can be. In regard to smaller land areas for development in particular, per hectare price indications can be distorted and misleading. A very limited amount of information has been available on land values locally, because of the low level of transactions in recent times and the fact that values are so site-specific. The details of particular scenarios will need to be considered. None of these experiences and findings has been unique to Test Valley – we have found very limited land values information and indications to go on in most of our recent strategic viability studies and updates.

Test Valley Borough Council				
Land - Residential				
Location	Existing Use/Planning Permission	Site Size (Ha)	Asking Price	£ per Ha
<b>Pearsons</b>	<b>Estate Agents</b>			
Picket Twenty Andover	Land with planning for 8 dwellings 3 and 4 bed houses.	0.4047	£700,000	£1,729,676
<b>Carter Jonas</b>	<b>Estate Agents</b>			
Cattle Lane Abbots Ann Andover	Planning consent 09/00729/FULLN for a substantial detached house offering Large kitchen/dining room 2-3 reception rooms 5 bedrooms 2 bathrooms. Double garage.	0.3521	£450,000	£1,278,046
Redbridge Drive Andover	Residential Building Land with Planning Permission for 3 detached houses. For Sale as a whole or as individual plots. The proposed development will provide 3 detached houses. Gross internal floor area for each property is 110.3 m (1,187 sq ft) including integral garage. Size is estimated from very little info.	0.0396	£325,000	£8,207,071
Andover Road Ludgershall Andover	Residential building land with planning for 2 detached houses. Currently a mature garden at 178.		£210,000	
85 Little Ann, Abbots Ann, Andover	A building plot with the benefit of detailed Planning Permission, with far reaching views across water meadows and frontage to the Pill Hill Brook.  TVN.05/00814/FULLN was granted on 24 April 2006.	0.0314	£206,000	£6,560,510
<b>Web Search</b>	<b>Find a Property</b>			
Land in Andover	Full Planning Permission to demolish the existing bungalow and replace with 2 Semi-Detached dwellings.	0.0669	£299,950	£4,483,558

<b>Web search</b>	<b>UK land directory</b>			
Land in Andover	With out-line planning for 4 homes within this picturesque walled garden. Plot sizes below are approximate. Application reference number was 09/00193/OUTN at TVBC. Agreement in place for access to all utilities including foul water within larger development. Section 106 contributions amount to just under £38,000.	0.3035	£400,000	£1,317,957
Land for sale in Romsey	Full Planning Permission for a 4 bedroom detached dwelling in a quiet residential street with good schools close by.	0.0318	£200,000	£6,289,308
<b>Web search</b>	<b>selfbuildpartnership.com</b>			
Middle Wallop	Detailed planning for detached house.	0.1336	£190,000	£1,422,156
Andover	Detailed planning for 5 flats.	0.055	£275,000	£5,000,000
<b>Web search</b>	<b>Plotsetc.com</b>			
At Whitenap Lane Romsey	Planning for 3 bed detached bungalow.	0.0375	£189,000	£5,040,000
<b>Web search</b>	<b>Plot Browser</b>			
Andover	Planning for 5 bed dwelling plus stabling and garage.	3.44	£1,300,000	£377,907
<b>Industrial/Commercial opportunities</b>				
<b>Bourne Estate Agents</b>	<b>Estate Agents</b>			
Abbotts Ann Andover	Brick built telephone station could provide secure storage has electricity and frontage OIRO.	0.015	£180,000	£12,000,000
<b>Web search</b>	<b>Findaproperty.com</b>			
Water Lane Andover	Described as a water meadow - pasture land which has been used for the summer grazing of cattle. Close to, but not adjoining, the River Anton. Contains two ponds.	1.558	£50,000	£32,092
Land at Upper Clatford	Full Planning Permission for commercial equestrian use and was previously used as a riding school in the mid 1970s and later as a livery yard - making the farm suitable for conversion to an equestrian centre. There is an uplift clause on the land concerning possible future residential development.	0.9	£125,000	£138,889

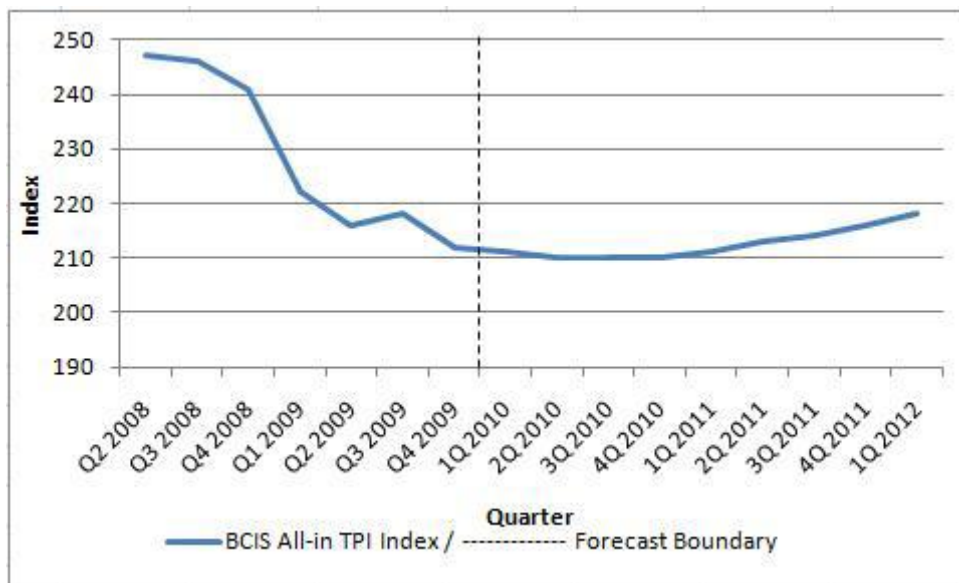
Agricultural land in Andover	Trainer's house, staff cottage, two flats, hostel, office/administration block, 72 boxes in 2 barns (one a potential indoor school), 2 horse walkers, all weather gallop, down land pasture and woodland.	43.19	£2,500,000	£57,884
<b>Web search</b>	<b>UK land directory</b>			
Small holding in Plaitford	A site of approximately eight acres with retail and B1 use on part of the site as shown on the plan. Planning Permission was granted in 1985 for an agricultural dwelling and the site has direct access on to Plaitford Common which is part of the National Park. It offers huge potential for future development subject planning permission.	3.327	£650,000	
<b>Web search</b>	<b>UK Land and Farms</b>			
Land and property near Stockbridge	Detached bungalow surrounded by gardens and paddocks with an excellent range of outbuildings including garaging, an office, stabling, workshops and a barn.	1.283	£645,000	£502,728
Land in Abbots Ann nr Andover	A freehold parcel of grazing land situated in the hamlet of Abbots Ann, a short drive from Andover.	3.25	£60,000	£18,462
Land at nearby Whitchurch(?)	A rare opportunity to purchase an excellent paddock set within outstanding safe riding country.	1.457	£45,000	£30,885
Opportunity nr Romsey	A well located garden centre.	2.07	POA	

## Building Cost Information Service (BCIS) Overview

The following information is sourced from the Building Cost Information Service (BCIS) and sets out firstly the BCIS All-in TPI which covers new building work in the United Kingdom including public, private and housing. The All-in TPI also includes a forecast. BCIS state that *“The forecast of the All-in Tender Price Index is based on the assumptions given in the BCIS Briefing. BCIS examines a wide variety of economic indicators and ad hoc models based on their trends. BCIS also considers the results from an econometric model which has been specially tailored to include tender prices. The BCIS forecast is a national forecast. Regional differences in demand and supply will have a consequential effect on tender prices in different parts of the country”*.

The following graphs were created by Adams Integra to illustrate the general trends indicated in this section.

### All-in TPI Q2 2008 to Q4 2009

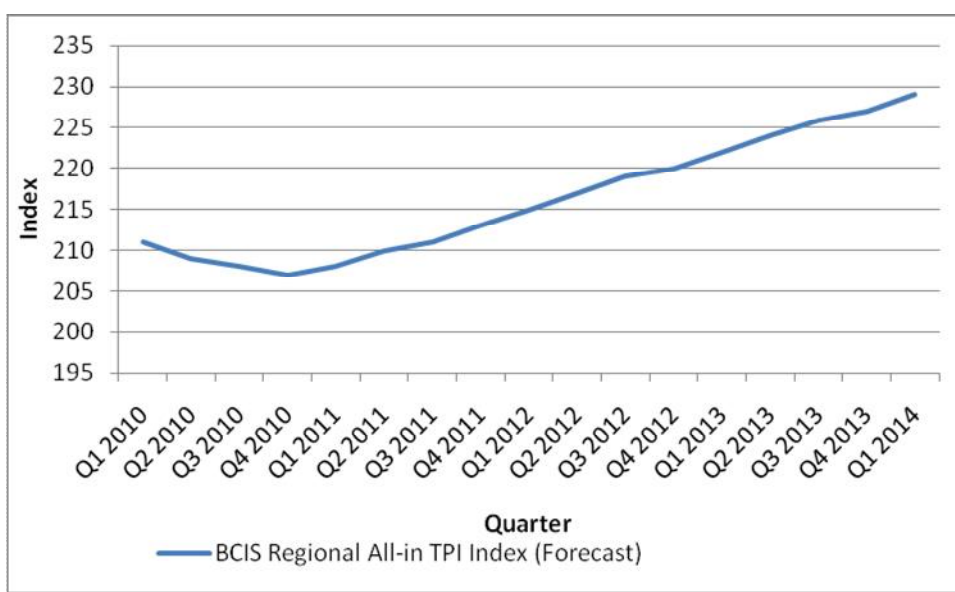


The above graph with data sourced from the BCIS shows that the All-in TPI index fell from 2<sup>nd</sup> quarter 2008 (247) to 4<sup>th</sup> quarter 2009 (212) – latest available data at the point of reviewing for this study modelling. This equates to a fall of approximately 14% from the time of setting the assumptions for the original study to the time of the latest available data.

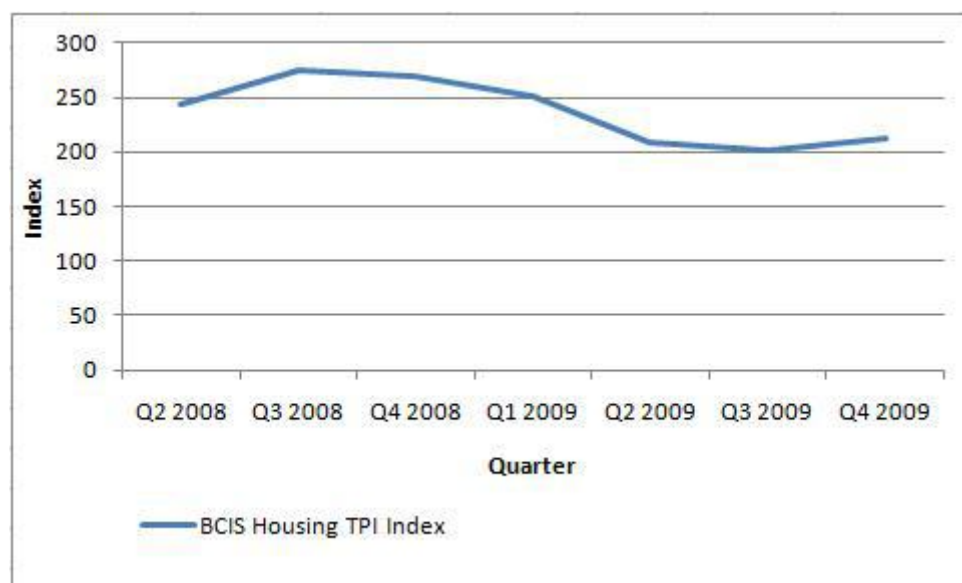
The forecast data predicts a period of relatively little movement in the index before a slight increase from 2011 onwards. The forecast suggests that prices will not reach their 2<sup>nd</sup> quarter of 2008 index point before the 1<sup>st</sup> quarter of 2012.

In addition to the above data, the BCIS also publish a 5 year forecast the latest of which was published in February 2010. The forecast states that it is thought that public spending cuts will lead to a slower recovery than expected in 2012 and 2013 and new work output forecast to move year on year by -2.0% in 2010, +1.5% in 2011, +1.0% in 2012 and +1.0% in 2013. The following graph shows the BCIS All-in TPI forecast from 2010 to 2014. If this trend were to be followed, we would see a reversal of the recent tender price reductions. We think it fair to say that there is currently a general, wider expectation that build costs will rise again (base costs – i.e. independent from any rises attributable to increased specification requirements).

### Housing (Tender Price Index) TPI Q2 2008 to Q4 2009



The Housing TPI is based on a sample of housing schemes collected from the BCIS membership and elsewhere. The majority of schemes relate to social housing.



This picture for the housing TPI shows that prices have fallen from an index of 243 in the 2<sup>nd</sup> quarter of 2008 to 213 as of the 4<sup>th</sup> quarter of 2009 (latest available data). In the intervening period prices rose to a maximum of 275 in the 3<sup>rd</sup> quarter of 2008 and fell to a minimum of 202 in the 3<sup>rd</sup> quarter of 2009. There is no forecast data associated with the Housing TPI.

## Value Points - Outcomes

The results of the values research led to the formation of 6 'Value Points'. We consider that, when viewed overall, these points cover the range within which most new build values are seen currently, and would be likely to be seen given foreseeable future market movements. As most areas have a variety of property values, the results of this research can be used independently of location where approximate sales values can be estimated – so that the variations within the overall range might be seen through scheme type and/or location and/or with time.

The Value Points ('VPs') are based on our dwelling type and size assumptions, but can also be applied to other dwelling type/sizes through use of the overall range of per m<sup>2</sup> (sq m); or per ft<sup>2</sup> (sq ft) value levels. Intermediate points, between Value Points, can also be considered through viewing appraisal outcomes for the points either side.

Considering all the information our judgements resulted in the following range of Value Points being settled and used in the appraisals for this study:

Value Point ('VP')	1-Bed Flats	2-Bed Flats	2-Bed Houses	3-Bed Houses	4-Bed Houses	£ / sq m Equiv.	£ / sq ft Equiv.	
1	£102,000	£132,000	£152,000	£172,000	£202,000	£2,000	£186	New - Added lower VP
2	£112,200	£145,200	£167,200	£189,200	£222,200	£2,200	£204	Former VP1
3	£131,325	£169,950	£195,700	£221,450	£260,075	£2,575	£239	Former VP2
4	£150,450	£194,700	£224,200	£253,700	£297,950	£2,950	£274	Former VP3
5	£169,575	£219,450	£252,700	£285,950	£335,825	£3,325	£309	Former VP4
6	£188,700	£244,200	£281,200	£318,200	£373,700	£3,700	£344	Former VP5

**The following are very general guides as to application** bearing in mind that, as expected, the indications varied – so that in practice scheme and location specifics will determine values levels from site to site:

VP 1- Represents lowest value current schemes, but not regularly seen Borough-wide. Generally beneath current typical new build values when considered Borough-wide; or represents further falling market as impacts current lower value schemes.

VP 2 - Levels represent current lower end new build values – e.g. parts of Andover; mass market housing.

VPs 3 and 4 - Typical new build values considered most relevant to Borough-wide strategic overview, especially looking longer term.

VP 5 - Current upper end of typical new build values range; sought after locations; well specified schemes

VP 6 - Represents levels not regularly seen in the Borough at present.

***All on the basis that the Council is advised to consider where specific scenarios may fall in to the overall scale of values and associated range of viability outcomes. We consider it inappropriate and unhelpful to try to definitively align value points to locations since, given the reality of locality and scheme variety in the Borough, such an approach could unduly affect site specific outcomes. As an example, areas that are typically lower value (where VPs 1-2 would normally be most relevant) will also continue to produce higher value scheme instances.***

**Acknowledgement:**

**Adams Integra would like to thank those companies and individuals who have taken the time to respond to us, help with our enquiries and provide information – greatly appreciated.**