

<p>Wheatley Neighbourhood Plan: VIABILITY APPRAISAL refresh study, 2022</p>	<p>October 17 2022</p>
<p>Site-based development appraisals have been conducted for four sites identified in the Neighbourhood Plan for Wheatley. The report explains the key variable inputs and assumptions applied in carrying such appraisals. It also provides an appreciation of the national and local policy and market context in which these sites are situated. The findings from the appraisals indicate that the four sites are viable.</p>	<p>Professor Stephen Walker</p>

Wheatley Neighbourhood Plan: Viability Appraisal Refresh Study, 2022

1. Preamble

This report constitutes a Refresh Study covering site-based development appraisals of four sites that had been identified in the Draft Neighbourhood Plan for Wheatley in South Oxfordshire. The original study had been prepared in 2019 and the appraisals of these sites then had shown that there were all judged to have been viable.

A key difference from the original 2019 study is the separation of the two contiguous sites [WHE 15 and WHE 17]. The appraisals for these two sites are now entirely independent of each other in this 2022 Refresh Study.

The development content on the four sites is summarised in the Table 1 below:

Table 1: A Summary of Proposed Content of Development, 2022 Refresh Study					
Wheatley Neighbourhood Plan, 2019-2035			Developable Land Area and Uses [m ²]		
Sites	Overall Site Size [m ²]	Dwelling Numbers	Housing [m ²]	Other specific uses [m ²]	Open Space [m ²]
WHE 15	52,110	55	17,370	17,370 industrial premises	17,370
WHE 16	8,800	10	2,800	700 car parking at rear of the site	530 fronting the site
WHE 17	14,110	0	0	4,703.3 industrial premises	0
WHE 22	8,110	28	7,299	0	811 + green

Source: see WNP.03 [2022] Wheatley Neighbourhood Plan 2019-2034, The First Review, especially Figures 12.3; 12.4 and 12.5 [pp.54-59].

This report shall simply present of the findings stemming from a re-run of the development appraisals that reflect the current policy and market conditions [in August 2022]. To achieve this, data and evidence have been sought and collated to reflect these conditions for the four sites in Wheatley, South Oxfordshire.

The appraisals contained in this Refresh Study have been conducted to provide a clear view of the sites' viability status. Importantly these appraisals have adopted a prudent stance from the outset to not only include additional costs/contingencies to accommodate uncertainties and unknowns, but they have been tested with rigorous sensitivity analysis.

This Refresh Study report is structured so as to present all the relevant factors that have been taken into account to carry out a re-run of these same development appraisals. With thus in mind the report is organised into **three further Sections** as follows:

Section 2: This section focuses on the principal variable inputs and factors that have undergone changes since the initial study in 2019 cover the following:

- a. **Systemic Changes** relating to Biodiversity Net Gain; changes to Part L Building Regulations and the impending adoption of the Future Homes Standard; and the adoption of the new definition of a site's Benchmark Land Value introduced in September 2019.

b. **Local Market Conditions** in relation to:

- New House Prices;
- Build Costs; and
- Community Infrastructure Levy [CIL] and costs of planning obligations.

Section 3: This section focuses on the generated outputs from the development appraisals, including sensitivity analysis, especially in regard to testing how the subject sites' viability status is affected.

Section 4: Concluding Remarks.

2. Updating the Principal Variables and Other Changes since the 2019 Study

Since 2019 there has been a number of significant changes that in 2022 need to be taken into account as part of the Refresh Study. The principal changes that have occurred and which have materially affected a site's viability status can be categorised as being either:

- **Systemic Changes;** or
- **Local Market Conditions.**

Systemic Changes: these are changes affecting the whole market and so these materially affect all development schemes without exceptions. Specifically, this Refresh Study has taken the following into account:

- **National planning policies** relating to changes in the **definition and the setting of a site's Benchmark Land Value [from September 2019];**
- **Part L Building Regulation in June 2022** and the **Future Homes Standards** that becomes **mandatory from 2025;** and
- **Biodiversity Net Gain requirements** that have become mandatory for all new development that became law under the **Environment Act in 2021** and shall need **to be delivered from 2023.**

Local Market Conditions: These are changes largely affecting the market conditions under which new housing development occurs. Using authoritative data sources and evidence, the key variables that shall be required to be rebased [as far as permissible] to August 2022 prices are as follows:

- **New House Prices:** based on Office for National Statistics [ONS] New House Price Index for South Oxfordshire;
- **New Build Costs:** based on Building Cost Information Service [BCIS] data sets for South Oxfordshire;
- **Planning Policy Requirements** relating to:
 - S106 Legal agreements [planning obligations] and
 - Community Infrastructure Levy [CIL] rates.

In addition to the changes cited above, the development viability appraisals shall be subjected to sensitivity testing, which shall demonstrate not only the relative power of the constituent variables of the appraisal methodology, but such analysis shall be able to reveal the margins of change that would have to take place to threaten a site's viability status.

As part of Section 2, the following tables of data and commentary reveal the scale of change in the above variables and factors.

Systemic Changes

As stated earlier, these cover three specific policy and standards' requirements as follows [see Table 2 below].

Table 2: New Planning Policy Requirements: Systemic Changes Affecting All Developers		
BNG + 10% [see Note 1]		It is expected to cost £2,000/unit or c.0.5% of GDV
This is a two-stage process to move to Zero Carbon New Homes		
Building Standards 1 [see Note 2]	Part L Building Regulations	Small-scale studies predict additional costs of £3,000/unit .
Building Standards 2 [see Note 3]	Future Homes Standard	Small-scale studies predict that to move from Standard 1 to Standard 2 shall require an additional cost of £3,000/unit .
Source: Research conducted by DLUC, Individual House-builders.		
Note 1: As a result of the Environment Act 2021, from 2023 all new development shall be required to deliver an uplift in BNG of at least 10%; ideally this should be on-site; if this is not possible then off-site.		
Note 2: Part L Building Regulations, which moves towards a Zero Carbon standard, came into force for all new residential development in June 2022.		
Note 3: Future Homes Standard is planned to be introduced in 2025, whereby from that date all new residential development must meet Zero Carbon standards.		

These **additional costs** shall **affect all house-builders**. Such changes are termed systemic changes to the operation of the housing market. As a result, these additional costs will amortise in a site's lower land value. However, the improvement in building standards is likely to permit house-builders to add a premium to new house prices as these generate significant benefits to the new owners relative to owning existing property. This is likely to become a permanent uplift relative to those unable to meet these standards from the existing property stock.

The overall costs of achieving these additional policies and build standards is presented in Table 3 below.

Table 3: Estimated Additional Costs of Delivering New Policy Requirements triggered by New Housing development										
WNP		WHE15			WHE 16			WHE 22		
New Planning Policies	£/unit	Units	Total	£/m ²	Units	Total	£/m ²	Units	Total	£/m ²
BNG + Plus	£2,000	55	£110,000	£21.15	10	£20,000	£31.25	28	£56,000	£30.11
Part L B. Regs	£3,000	55	£165,000	£31.75	10	£30,000	£46.88	28	£84,000	£45.16
Future Homes Standard	£3,000	55	£165,000	£31.75	10	£30,000	£46.88	28	£84,000	£45.16
Overall Costs	Total	55	£440,000	£84.62	10	£80,000	£125.00	28	£224,000	£120.43

Given the different development content on each site, the additional costs are no less significant which, of course, amortise commensurately on the sites' reduced worth.

Local Market Conditions

The following set of tabulated data reveals the scale of change that shall be taken into account in the development viability appraisals.

New House Prices

Table 4: Changes in House Prices				
		Dec 2018	April 2022	% Increase in prices
England	New House Prices	£301,619	£404,587	34.14%
	Existing Property Prices	£242,858	£291,692	20.11%
Oxfordshire	New House Prices	£400,593	£556,159	38.83%
	Existing Property Prices	£347,340	£409,207	17.81%
South Oxfordshire DC	New House Prices	£411,006	£575,965	40.14%
	Existing Property Prices	£403,338	£482,747	19.69%

Source: ONS New House Price Index. Most recent datum point being April 2022. Accessed 28th August 2022.

The growth in new house prices is displayed in Table 4 above. Nationally, regionally and locally, house prices have grown, with new house prices growing the most in South Oxfordshire DC by over 40%.

New Build Prices [i.e., Costs] for South Oxfordshire

Table 5: Changes in New Build Prices [i.e., Costs]			
BCIS Median Prices [£/m ²]	May 2019	August 2022	% Increase in new build prices
Housing	£1,344.00	£1,464.00	8.93%
Apartments	£1,527.00	£1,700.00	11.33%
Industrial/Factory/Warehousing	£619.00	£719.00	16.16%

Source: BCIS, Average New Prices, accessed August 2022.

Nb. These figures represent the price a contractor seeks from a client. Importantly, it includes costs, preliminaries and a sum for the contractor's overheads and profits.

The growth in build costs is displayed in Table 5 above. These are nationally based build prices adjusted to South Oxfordshire prices. As expected build prices have risen, though such changes show marked differences in terms of house types and use class. We are aware that the industry is undergoing sharp, short-term build cost inflation. It is important to stress that sensitivity analysis shall be conducted to test the sites' viability status with higher increases in build costs than those cited above.

Community Infrastructure Levy Rates

Table 6: Community Infrastructure Levy Rates [£/m ²]			
South Oxfordshire DC	BCIS CIL Index Uprate	£/m ²	Cumulative % increase since 2016
CIL Fee Rate 2016 [Adopted]	275	£150.00	0.00%
CIL Fee Rate 2017	286	£156.00	4.00%
CIL Fee Rate 2018	313	£170.73	13.82%
CIL Fee Rate 2019	318	£173.45	15.64%
CIL Fee Rate 2020	334	£182.18	21.45%
CIL Fee Rate 2021	333	£181.64	21.09%
CIL Fee Rate 2022	332	£181.09	20.73%

Nb. For Industrial Premises the CIL Fee Rate is £0/m².

The CIL fee rate is automatically up-rated annually by applying the BCIS CIL index. The figures in Table 6 shows that for market housing the CIL fee rate applied in the 2019 study has increased by 4.40% points to £181.09/m².

S106 Costs: Planning Obligations

Any costs that are triggered in order to mitigated development impacts shall be uprated using either the index for uprating the CIL fee rate or Tender Price Index sourced from BCIS.

Benchmark Land Value [BmLV]

The final element of the changes in the context of conducting site-based development appraisals relates to material changes in national planning policies announced in September 2019 that specifically relate to viability. In short, such changes were material and shifted the threshold to a lower land value in respect of assessing a site's viability status.

Prior to September 2019, National Guidance on BmLV definition was set be a value sufficient to provide a "**competitive return**" to a landowner. Since September 2019 the BmLV definition shall now be a value that provides a "**minimum return**" sufficient to incentivise a "reasonable" landowner to sell.

The impact of this material policy adjustment is to **lower the overall land value threshold that judges whether a site is viable.**

In short, the BmLV is a function of two variables:

- A site's **Existing Use Value** [EUV]; and
- A **Premium** [or multiplier] which represents a sum to compensate the landowner for foregoing future benefits as a result of selling the site.

The extant status of the four sites is as follows:

- **WHE15:** this open land, technically in agricultural use; though there is clear absence of evidence that it is actively used for this purpose. Its western boundary is bordered by housing known as Lloyd George housing. So, it is technically a **greenfield site**.
- **WHE16:** The so-called bungalows site is situated on London Road, on the eastern side of the village, where industrial and other commercial uses have been allowed to grow and flourish. It is in fact a split site in single ownership, the smaller parcel lying to the N of the row of bungalows is unmanaged and contains a drainage ditch, the larger parcel lies to the S of the bungalows and presently is used as an ad hoc, unmanaged parking area by the adjacent businesses. So, despite its appearance, it is technically a **greenfield site**.
- **WHE17:** This site is contiguous with WHE 15. WHE17 is similarly open land [as WHE15], so it is technically in agricultural use; though there is clear absence of evidence that it has been actively used for this purpose. Its eastern boundary borders the industrial units accommodating aggregates and building materials' businesses. So, it is technically a **greenfield site**.
- **WHE22:** is a site located at the core of Littleworth, which accommodates a number of industrial and motor repair vehicles' businesses. So, it is technically a **brownfield site**.

In setting these sites' BmLVs there are other factors and questions that must be actively considered and these are summarised in Table 7 overleaf.

Table 7: Factors to consider in Setting the Benchmark Land Value	
Site Location:	Within the urban boundary – central: edge-of-centre; beyond the boundary [to be released by recently adopted Local Plan]?
Site Size:	Within the urban boundary and less than 3hectares [i.e., small]. Edge of centre and at least 3hectares or more [i.e., large].
Site's Existing Use:	As permitted by local planning policy. Is there an observable business operating on or from the site?
Site Condition:	Greenfield; previously used [i.e., "brownfield"]; has the site been cleared? Will it trigger "unknown" development costs [e.g., remediation costs; reinforcing and other attenuation costs]?

As a result of taking into the above factors and site conditions with regard to the four sites, the BmLV threshold for each of these sites are displayed in Table 8 covering the sums applied in the initial study back in 2019 and the re-assessed sums for this Refresh Study. The written commentary in the table is self-explanatory.

Table 8: Benchmark Land Values in 2019 and 2022 Studies					
Wheatley NP	Housing Content				
Sites	Units	m ²	2019 Study Assumptions and Variables	BMLV 2019 [£/ha]	Comments
WHE 15/17	55	5,200	EUV = £25,000/ha; Premium Multiplier = 15.	£400,000	No discount had been applied
WHE 16	10	640	EUV = £25,000/ha; Premium Multiplier = 15.	£400,000	No discount had been applied
WHE 22	28	1,860	EUV = £1,500,000/ha; Premium Multiplier = 10%.	£1,650,000	No discount had been applied
Sites	Units	m ²	2022 Study Assumptions and Variables	BMLV 2022 [£/ha]	Comments
WHE 15	55	5,200	EUV = '£26,000/ha; 'Premium Multiplier = 10; discount EUV by 75%.	£71,500	Not in active agricultural use.
WHE 16	10	640	EUV = '£26,000/ha; 'Premium Multiplier = 10; discount EUV by 75%.	£71,500	No observable business operating on or from the site
WHE 17	0	0	EUV = '£26,000/ha; 'Premium Multiplier = 10; discount EUV by 75%.	£71,500	Not in active agricultural use.
WHE 22	28	1,860	EUV = '£1,250,000/ha; 'Premium Multiplier = 10%; no discount.	£1,375,000	Site is in active use.

The **Benchmark Land Values** to be used in the 2022 Refresh Study are **lower** than those used in the 2019 study. The base-line inputs regarding the sites EUVs have marginally risen for the greenfield sites [from £25,000 to £26,000 per hectare], while the EUV for the industrial use site has fallen [from £1.5m to £1.25m per hectare]¹. However, the largest changes are in the Premium Multipliers

¹ Source: MHCLG [2020] *Land Value Estimates for Policy Appraisal*, Ministry of Housing, Communities and Local Government, [all at April 2019 prices].

resulting from the change in the definition in national guidance in September 2019 and whether a discount is applied to reflect when a site is palpably not in active use as permitted by its planning status. Given that all the sites are classified as small, the Premium Multipliers for the greenfield sites has fallen from 15 to 10. While for the industrial uses site its Premium Multipliers remains the same at 10%.

Additionally, the appraisals have been modified to reflect the separation of WHE 15 from WHE 17 sites. This modification follows the reasoning set out in the *First Review of the Wheatley Neighbourhood Plan* [WNP.03, June 2022].

In Summary

The changes in the variable inputs shall affect a site's land worth; and the introduction of the new definition regarding the setting of the Benchmark Land Value shall affect the threshold at which its viability is compromised. In short the changes in the above variables and factors shall affect a site's land value in the following manner are summarised in Table 9 below.

Table 9: Impact of Changes on Residual Land Value		
Variables	Direction of Change	Impact on Residual Land Value
New House Prices	Rise	Higher
Build Costs [Prices]	Rise	Lower
CIL Fee Rate	Rise	Lower
S106 Costs	Rise	Lower
Biodiversity Net Gain Costs	Rise	Lower
Part L Building Regulation Costs	Rise	Lower
Future Homes Standard	Rise	Lower
Benchmark Land Value Threshold	Fall	Improves Viability Position

The next section in this report shall present the outputs from the development appraisal calculations, revealing the extent of the overall changes in the above variables on the sites' residual land valuations and whether the balance of such changes has materially and adversely affected the sites viability status. As an integral element of the appraisal work, sensitivity analysis has been conducted and those results are presented too, so as judge whether these iterations threaten the sites' viability status.

3. Development Appraisals: Applying the re-based data and the new definition regarding a site's Benchmark Land Value.

The cash-flow based development appraisals generate a residual land valuation estimate. For each site, tabulated data is presented for a policy compliant scheme [i.e., with affordable housing if relevant] and taking into account site-specific conditions and other planning requirements that are in conformity with SODC 's Local Plan. Where known site conditions are likely to generate "abnormal" costs [e.g., to remediate contaminated land], notional sums have been included.

For three sites [i.e., WHE15; WHE16 and WHE 22] two sets of tabulated information are presented. The **first of the tables [A]** summarises the key financial outputs for a policy compliant scheme. The **second of the tables [B]** presents the results of sensitivity analysis that take into account changes to the most powerful of the variable inputs, which also accords with the internal logic of the appraisal methodology: namely, changes to prices, costs, interest rate and development/build out periods.

Crucially this table also declares whether the site is viable under different market conditions, by comparing the generated land value estimate against the comparator land value based on the sites' Benchmark Land Value.

The key generated outputs and their viability status is presented for each site as follows:

- **Site WHE 15: fifty-five dwellings [33 market units; 22 affordable units] and 5,790m² of industrial premises – see Table 10A and 10B.**
- **Site WHE 16: ten dwellings [all market units] - see Table 11A and 11B**
- **Site WHE 22: twenty-eight dwellings [17 market units; 11 affordable units] - see Table 12A and 12B; and**
- **Site WHE 17: Industrial premises [gross floorspace of 7384.2m²].**

SITES WHE 15 fifty-five dwellings [33 market units; 22 affordable units] and 5,790m² of industrial premises.

Table 10A: Site WHE15 – Housing/ Industrial Premises/Open Space		
Summary Outputs	Policy Compliant Scheme	Is Scheme Viable?
Land Value Estimate [LVE] £/hectare	£6,243,678	TRUE
Benchmark Land Value [£/hectare]	£71,500	
Residual Land Valuation Appraisal	£	% Of GDV
Land Value Estimate [LVE]	£10,845,269	30.79
Building Costs, External Works & Extra Works	£11,587,656	32.89
All Professional Fees, including Bank Fees & Stamp Duty Land Tax	£3,059,010	8.68
Planning Obligations and Other Contributions	£673,551	1.91
Capital Profit	£5,745,500	16.31
Interest Charges	£2,399,541	6.81
Gross Development Value (GDV)	£35,228,901	100.00
Capital Profit as a % on All Scheme Costs	20.16%	Void
Capital Profit as a % of Gross Development Value	16.78%	
Cash Flow discount rate [pa]	6.00%	

Table 10B: Site: WHE15 - Housing/ Industrial Premises/Open Space				
Iteration [Cash Flow Discounted at 6%pa]	RLVE [£/hectare]	% Change in RLVE	Benchmark Land Value [£/hectare]	Is Scheme Viable?
Base-line RLVE - AH Policy Compliant	£6,243,678	0.00%	£71,500	TRUE
Base-line + Fall in House Price by 10%	£5,003,242	-19.87%	£71,500	TRUE
Base-line + Rise in House Price by 10%	£7,483,748	19.86%	£71,500	TRUE
Base-line+ Fall in Building Costs by 10%	£6,806,163	9.01%	£71,500	TRUE
Base-line + Rise in Building Costs by 10%	£5,680,930	-9.01%	£71,500	TRUE
Build Cost rise by 10% and House Prices Fall by 10%	£4,439,754	-28.89%	£71,500	TRUE
Build Cost rise by 20% and House Prices Fall by 20%	£2,630,243	-57.87%	£71,500	TRUE
Build Cost rise by 20% and House Prices Fall by 20% Plus Interest Rates rise by 2% points	£2,474,242	-60.37%	£71,500	TRUE

Build Cost rise by 20% and House Prices Fall by 20% Plus Interest Rates rise by 4% points	£2,326,975	-62.73%	£71,500	TRUE
Build Cost rise by 30% and House Prices Fall by 30% Plus Interest Rates rise by 4% points	£513,406	-91.78%	£71,500	TRUE

Viability Status of Site WHE 15: As with the 2019 Study, these sites are viable based on the new data and policy definition [see Table 10A]. The sensitivity testing, as displayed in Table 10B above, includes nine separate iterations, some with **bigger changes in the key variables** [i.e., prices and costs] **and including an increase in interest charges too**, than in the 2019 study. **None of these iterations show that the viability status of the site is compromised.**

Site WHE 16: ten dwellings [all market units]

Table 11A: Site WHE16 - Housing		
Summary Outputs	All Market Scheme [£]	Is Scheme Viable?
Land Value Estimate [LVE] £/hectare	£2,644,755	TRUE
Benchmark Land Value [£/hectare]	£71,500	
Residual Land Valuation Appraisal	£	% Of GDV
Land Value Estimate [LVE]	£1,401,720	34.98%
Building Costs, External Works & Extra Works	£1,102,227	27.51%
All Professional Fees, including Bank Fees & Stamp Duty Land Tax	£310,384	7.75%
Planning Obligations and Other Contributions	£115,898	2.89%
Capital Profit	£801,442	20.00%
Interest Charges	£182,520	4.55%
Gross Development Value (GDV)	£4,007,209	100.00%
Capital Profit as a % on All Scheme Costs	25.00%	VOID
Capital Profit as a % of Gross Development Value	20.00%	
Cash Flow Discount Rate [% per annum]	6.00%	

Table 11B: Site WHE16 - Housing				
Sensitivity Testing [Cash Flow Discounted at 6%pa]	RLVE [£/hectare]	% Change in RLVE	Benchmark Land Value [£/hectare]	Is Scheme Viable?
Base-line RLVE - All Market	£2,644,755	0.00%	£71,500	TRUE
Base-line RLVE - AH Policy Compliant	VOID	VOID	VOID	VOID
Base-line + Fall in House Price by 10%	£2,174,236	-17.79%	£71,500	TRUE
Base-line + Rise in House Price by 10%	£3,110,316	17.60%	£71,500	TRUE
Base-line+ Fall in Building Costs by 10%	£3,892,738	47.19%	£71,500	TRUE
Base-line + Rise in Building Costs by 10%	£3,314,855	25.34%	£71,500	TRUE
Build Cost rise by 10% and House Prices Fall by 10%	£2,009,915	-24.00%	£71,500	TRUE
Build Cost rise by 20% and House Prices Fall by 20%	£1,354,328	-48.79%	£71,500	TRUE
Build Cost rise by 20% and House Prices Fall by 20% Plus Interest Rates rise by 2% points	£1,304,469	-50.68%	£71,500	TRUE
Build Cost rise by 20% and House Prices Fall by 20% Plus Interest Rates rise by 4% points	£1,256,902	-52.48%	£71,500	TRUE

Viability Status of Site WHE 16: As with the 2019 Study, this site is viable based on the new data and policy definition. The sensitivity testing, as displayed in Table 11B above, includes iterations with bigger changes of +/- 20% in the key variables [i.e., prices and costs] and including an increase in interest charges too than in the 2019 study. In spite of more challenging market conditions, none of the iterations demonstrate that the site's viability status is compromised.

SITE WHE 22: twenty-eight dwellings [17 market units; 11 affordable units]

Table 12A: Site WHE 22 Housing		
Summary Outputs	Policy Compliant Scheme	Is Scheme Viable?
Land Value Estimate [LVE] £/hectare]	£2,998,088	TRUE
Benchmark Land Value [£/hectare]	£1,375,000	
Residual Land Valuation Appraisal	£	% Of GDV
Land Value Estimate [LVE]	£2,431,450	27.04
Building Costs, External Works & Extra Works	£3,245,505	36.09
All Professional Fees, including Bank Fees & Stamp Duty Land Tax	£702,190	7.81
Planning Obligations and Other Contributions	£299,179	3.33
Capital Profit	£1,486,580	16.53
Interest Charges	£571,019	6.35
Gross Development Value (GDV)	£8,992,638	100.00
Capital Profits as a % on All Scheme Costs	19.81%	Void
Capital Profits as a % of Gross Development Value	16.53%	
Cash Flow discount rate [pa]	6.00%	

Table 12B: Site WHE 22 Housing				
Iteration [Cash Flow Discounted at 6%pa]	RLVE [£/hectare]	% Change in RLVE	Benchmark Land Value	Is Scheme Viable?
Base-line RLVE - AH Policy Compliant	£2,998,088	0.00%	£1,375,000	TRUE
Base-line + Fall in House Price by 10%	£2,328,001	-22.35%	£1,375,000	TRUE
Base-line + Rise in House Price by 10%	£3,665,534	22.26%	£1,375,000	TRUE
Base-line + Fall in Building Costs by 10%	£3,271,421	9.12%	£1,375,000	TRUE
Base-line + Rise in Building Costs by 10%	£2,723,690	-9.15%	£1,375,000	TRUE
Build Cost rise by 10% and House Prices Fall by 10%	£2,050,086	-31.62%	£1,375,000	TRUE
Build Cost rise by 15% and House Prices Fall by 15%	£1,561,311	-47.92%	£1,375,000	TRUE
Build Cost rise by 15% and House Prices Fall by 15% Plus Rise in Interest Rate by 2%points	£1,459,882	-51.31%	£1,375,000	TRUE
Build Cost Rise by 20% and House Prices Fall by 20%	£1,057,655	-64.72%	£1,375,000	FALSE
Build Cost Rise by 20% and House Prices Fall by 20% Plus Interest Rates rise by 2%points	£967,104	-67.74%	£1,375,000	FALSE

Viability Status of Site WHE 22: As with the 2019 Study, this site is viable based on the new data and policy definition [see Table 12A above]. The sensitivity testing, as displayed in Table 12B above,

includes iterations with **bigger changes in the key variables** [i.e., prices and costs] **and including an increase in interest charges too** than in the 2019 study. **However, viability is compromised in two out of the ten iterations.** The last two iterations involve large changes in the principal variables [20% fall in prices together with a 20% rise in build costs], and for the final two iterations these include adverse finance conditions too. However, these latter market scenarios have rarely occurred to date.

Site WHE17: Industrial units [gross floorspace of 4 703m².

The 2019 study also carried out an appraisal of these sites with industrial units. This section shall focus on a refresh appraisal using the same approach as for the housing sites. As before, the generated outputs from the appraisals reflect two different development options covering:

- **Firstly**, this iteration assumes the current landowner[s] sell on the land to a prospective developer; here a traditional cash-flow based development appraisal is carried out to generate a residual land valuation estimate [see Table 13a]; and
- **Secondly**, this iteration assumes the current landowner[s] retain ownership of the site, they build it out for the industrial units; here the appraisal’s output is to generate sufficient return on capital employed. This appraisal is a cash-flow based profit appraisal, where the land price is nil since it is not sold, but retained [see Table 13b].

Table 13a: Site WHE17 – Industrial Premises		
Appraisal Methodology	Residual Land Valuation Estimate [RLVE]	Residual Profit Appraisal
DEVELOPMENT OPTIONS	Sell Land with PP to a developer	Build out the site by landowner and retain all units to lease
EUV [£/ha]	£26,000	£26,000
Benchmark Land Value {£/ha}	£71,500	Void
RLVE [£/ha]	£1,883,222	£0
RLVE [£]	£2,657,226	£0
GDV	£8,545,769	£0
Capital Profit	£1,985,265	£0
Capital Profit as a % of GDV	15.00%	£0
Capital Profit as a % of All Costs	17.65%	£0
Gross Rental Income [pa]	na	£727,612
Total Build Out Costs [£]	na	£6,142,511
Return of Capital Employed	na	11.85%
Is the site Viable?	TRUE	TRUE
Realised Gain	on the land only	Purely through the income stream arising from market rents
		Upward Only Rent Reviews [UORR]
Risk	Very Low Developer could revise or put in new planning application	Continued management & maintenance on the retained units
		Loan requirements
		Cost Overruns
		Ties up own capital

Table 13b: Site WHE17 - Industrial Premises			
DEVELOPMENT OPTIONS	Sell Land with PP to a developer	Build out the site by landowner and retain all units to lease	Notes/Comments
Variable Inputs and Assumptions			
Rate of Interest plus Bank fees [%pa]	6.0% plus 0.85%	6.0% plus 0.85%	[0.85% for Bank fees]
Discount rate [%pa]	6.0%	6.0%	
Industrial Rents [£/m ²]	£99.89	£99.89	Source: Carter Jonas " Commercial Edge Oxfordshire ", Spring 2022
Industrial Rents [£/ft ²]	£9.28	£9.28	Ditto plus NOMIS, 2022
All Risk Yield [%]	5.15%	5.15%	Ditto, plus NOMIS, 2022
Variable Inputs and Assumptions			
Building Prices Median [£/m ²]	£719	£719	BCIS, August 2022, Advanced factories/warehousing
Professional Fees [%]	8.0%	8.0%	
External Works [%]	5.0%	5.0%	
Contingency [%]	3.0%	3.0%	
Variable Inputs and Assumptions			
Developer's Target Rate of Profit (% On Costs)	17.65%	0.0%	Equivalent to 15% of GDV
Variable Inputs and Assumptions			
Planning Fees	prescribed	prescribed	
Marketing [£/lump sum]	£10,000	£10,000	
Agents' fees [%]	10.00%	10.00%	
Legal costs on site sale/acquisition [%]	0.50%	0.00%	
Legal costs on Sales [%]	0.50%	0.00%	
Section 106 [£/lump sum]	£73,400	£73,400	Towards on-site BNG
Variable Inputs and Assumptions			
Total Development Period [months]	18	18	
Build-out period [months]	15	15	
Void Period [months]	0	0	
Gross Site Area [ha]	1.411	1.411	
Gross Floor space [m ²]	7284.2	7284.2	
Plot Ratio [Gross Site area: Gross Floor space]	=1:0.3	=1:0.3	See URS, " South Oxfordshire Employment Land Review ", Final Report, September 2015, p71, 80-81, and 101-103.
Variable Inputs and Assumptions			
Land Value Estimate	an output	an input [or 0]	
Capital Profits [as a % of GDV]	an input [15%]	Not applicable	
Appraisal Methodology	Cash-flow based RLV	Cash-flow based Profit Appraisal	

Based upon the variable inputs and assumptions set out earlier for site WHE 17, **the results from the appraisals of developing the site for development of industrial premises, both versions of the appraisals confirm that it is viable in terms of either the residual land value [first column above]**

and in terms of a higher return on capital employed relative to the rate of interest [second column above]. Additionally, comments are proffered on the kind of realisable gains as well as associated risks for both options.

4. Concluding Remarks

The development appraisals that have been carried out for the four sites identified in the draft Neighbourhood for Wheatley are a direct product of the chosen updated variable inputs and changes in the definition of the Benchmark Land Value. A full explanation of these has been provided along with an appreciation of the four sites' market and policy context.

Each appraisal constitutes a separate appraisal assessment of the proposed development that is being proposed in the Neighbourhood Plan for Wheatley.

The results from these appraisals support their development in that they are viable in terms of being able to deliver policy compliant schemes.

To achieve the objectives declared in the WNP [i.e., "provide *housing in a shorter timescale..... and at the same time improve connectivity through the village, rationalise light industry and provide opportunities for employment*", see paragraph 11.1, p.49, WNP, 2019], the sequence of events to achieve the above shall need a high degree of cooperation, integrity and strategic decision-making,

This last matter is beyond the realms of viability, but achieving the above objective can deliver mutual benefits if the various parties, especially the landowners, can co-operate. The release of land from the green belt offers enormous benefits to the landowners and the village, but it is dependent upon establishing a form of strategic partnership so that the key decisions regarding development are managed to the benefit of the group of landowners as well as the village of Wheatley's values and sentiments that are so cogently expressed in its Neighbourhood Plan.

END

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² Now termed the Department for Levelling Up and Communities [DLUC].