

BURROWS-HUTCHINSON LTD
CHARTERED SURVEYORS, DEVELOPMENT PLANNING
and VIABILITY CONSULTANTS

206 High Street
Horniton EX14 1AJ

Tel : 01404 43441
E-mail: admin@burrows-hutchinson.com

BRIDGEND COUNTY BOROUGH COUNCIL
Replacement Local Development Plan 2018 - 2033

Independent Financial Viability Appraisals

undertaken by

Burrows-Hutchinson Ltd

on

6 Potential Strategic Housing Sites

identified in the Council's

Preferred Strategy Consultation Document (October 2019)

MARCH 2021

A.J.L.B.

Contents

1.	EXECUTIVE SUMMARY	1
2.	INTRODUCTION and CONTEXT	2
3.	COSTS and VALUES GENERALLY	4
	Normal Development Costs	5
	Abnormal Development Costs	6
	Community Infrastructure	7
	Professional fees & warranties	7
	Sales & Marketing	7
	Finance Costs & Development Timelines	8
	Gross Development Value	8
	Sensitivity Testing	9
4.	BENCHMARK LAND VALUE and DEVELOPMENT PROFIT	10
5.	SITE-SPECIFIC ISSUES and ASSESSMENTS	11
	ISLAND FARM and CRAIG-Y-PARCAU 815 new homes	11
	PENCOED COLLEGE CAMPUS 770 new homes	12
	PARC LLANGEWYDD 850 new homes	12
	LAND EAST of PYLE 2,000 new homes	13
	PORTHCAWL WATERFRONT 1,115 new homes	14
	PARC AFON EWENNI 675 new homes	15
6.	CONCLUSIONS	17

Appendices

A : LOCATION PLAN

B : SUMMARY of IFVA's

C : EVIDENCE of MARKET VALUES for NEW HOMES

List of Acronyms / Abbreviations

BCBC	Bridgend County Borough Council
BHL	Burrows-Hutchinson Ltd
DVM	Development Viability Model
GDV	Gross Development Value
GIA	Gross Internal Area
IFVA	Independent Financial Viability Appraisal
LDP	Local Development Plan
NIA	Net Internal Area
PPW	Planning Policy Wales
RDP	Replacement Deposit Plan
RLDP	Replacement Local Development Plan
SHA	Strategic Housing Allocation
SoCG	Statement of Common Ground
SPG	Supplementary Planning Guidance
The Manual	Welsh Government Development Plans Manual (Edition 3) : March 2020
VSG	Viability Study Group
WG	Welsh Government

1. EXECUTIVE SUMMARY

- 1.1 Burrows-Hutchinson Ltd (“BHL”) has carried out **Independent Financial Viability Appraisals** of six possible Strategic Housing Allocations that were broadly identified for future development in Bridgend Council’s Preferred Strategy consultation document published in October 2019. The six sites are identified on the location plan at Appendix A to this Report.
- 1.2 The primary objective of this work was to establish whether it is “financially viable” for the development of each of the six sites, if allocated in the Replacement Local Development Plan, to meet detailed policy objectives, which include (in summary)
- meeting all appropriate criteria and national policy objectives for sustainable development;
 - creating communities that have a genuine sense of identity and place;
 - making appropriate and necessary contributions to the need for affordable housing and educational facilities.
- For any development proposal to be “financially viable”, it must also be demonstrated that it is capable of delivering a competitive, market risk adjusted return to the developer; and a land value that is sufficient to encourage a land owner to sell for the proposed use.
- 1.3 BHL has discussed the sites and their development potential with each of the site promoters, all of whom have worked up proposals to an appropriate level of detail at this stage in the Planning process. In all cases, there has been sufficient detail available for BHL to carry out the Appraisals to a standard/level that is consistent with national planning policy and guidance.
- 1.4 More detail on this process and the inputs to each appraisal is set out in the ensuing sections of this Report. In deciding on appropriate inputs for each site appraisal, BHL has considered all views expressed by the promoters of each site – balanced with BHL’s experience and evidence from other similar appraisals/work elsewhere – and has also taken account of the Statement of Common Ground from Bridgend Council’s Viability Study Group of industry stakeholders, issued in September 2020.
- 1.5 The conclusion that BHL draws from the appraisals is that **all six potential Strategic Housing Allocations are considered to be financially viable** in the context explained in para 1.2 above. A summary of the six financial appraisals is at Appendix B to this Report, and evidence behind the estimated selling prices for new homes on each site is at Appendix C.
- 1.6 BHL confirms that its work on these appraisals has been undertaken in accordance with both the RICS Professional Statement entitled Financial Viability in Planning: conduct and reporting (May 2019) and the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses.

2. INTRODUCTION and CONTEXT

- 2.1 Planning Policy Wales (PPW 10/11) directs that *“as part of demonstrating the deliverability of housing sites, financial viability must be assessed prior to their inclusion as allocations in a development plan. At the ‘Candidate Site’ stage of development plan preparation, land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites.”*^A
- 2.2 Welsh Government’s Development Plans Manual (Edition 3) – “the Manual” – contains a specific section on Viability Testing for Development Plans, in Chapter 5, reinforcing the above policy objective; and stating too that *“site specific viability appraisals should be undertaken for those sites which are key to delivering the plan.”*^B The same paragraph in the Manual says that *“the preferred approach is for this to be done in conjunction with a site promoter who has access to the detail, or conversely through more detailed modelling with site-specific assumptions.”*
- 2.3 In June 2020, Burrows-Hutchinson Ltd (“BHL”) submitted a proposal to Bridgend County Borough Council (“BCBC”) for undertaking Independent Financial Viability Appraisals (“IFVA’s”) on six strategic housing sites that had been identified as potential allocations for new development in BCBC’s Preferred Strategy Consultation Document (October 2019). These sites are identified on the location plan at **Appendix A**. The geographical extent of each site is more particularly described in BCBC’s Replacement Deposit Plan (“RDP”), together with the draft policy requirements for each site.
- 2.4 Having first established that there would be no conflict of interest in BHL undertaking this work, BHL discussed arrangements with the promoters of each site for delivering an IFVA that would meet the requirements of the Manual (as above) and establish the extent of the “common ground” between each site promoter’s aspirations and BCBC’s draft policy objectives for each site in the emerging Replacement Local Development Plan (“RLDP”).
- 2.5 BCBC provided BHL with a set of proposed site-specific policies (in draft) for each of these potential strategic housing allocations (“SHA’s”) in the RLDP. BHL confirms that those draft policies accord with the site-specific policies that are set out in the published RDP.
- 2.6 The six IFVA’s have been carried out, and are presented in this Report, in a way that is intended to reflect the following key principles of good practice where Viability in Planning is concerned:
- judgments and assumptions should be evidence-based;
 - inputs and assumptions used in an appraisal should be based on collaborative effort and discussion, using an “open book” approach as far as possible;
 - the process and content should be as transparent as it can be – so as to give the reader confidence in the conclusions reached – whilst respecting (in an appropriate way) the confidentiality of data that may be commercially sensitive; and
 - appraisals should be based on a consistent and standardised approach, whilst recognising (and striking a sensible balance with) the heterogenous nature of development sites and opportunities.
- 2.7 Wherever possible/appropriate, this Report has also taken on board the conclusions drawn from the Viability Study Group set up by BCBC; published in a Statement of Common Ground

^A Extract from para 4.2.19 of Planning Policy Wales Editions 10 and 11

^B Extract from para 5.89 of the Development Plans Manual (Edition 3)

("SoCG") on 15th September 2020. In those instances where it has been necessary for the IFVA's in this Report to rely on other evidence, of a more site-specific nature, this Report makes it clear how and where that has been the case.

- 2.8 In accordance with the RICS Professional Statement entitled Financial Viability in Planning: conduct and reporting (May 2019), BHL confirms that the IFVA's referred to in this Report have all been undertaken impartially, in an objective way and without interference, taking into account all relevant and available sources of information. Each IFVA has also relied on market-based, rather than client-specific, information wherever possible/available, in accordance with best practice.
- 2.9 It is further confirmed that the fees payable for this work, borne by the site promoters, were not performance-related or in any way contingent on the outcome of each IFVA or on the conclusions reached in this Report.
- 2.10 In the interests of transparency, it is noted here that two of the SHA's (Parc Afon Ewenni at Bridgend, and the Porthcawl Waterfront Regeneration scheme) involve land in the ownership of BCBC; and are being proactively promoted for development by BCBC, along with other landowners. This was a further reason why the Council considered that the viability of all six SHA's should be independently assessed.
- 2.11 For each of the sites, BHL have prepared an IFVA using the Excel-based Development Viability Model ("DVM") that was originally created for use by the eight Local Planning Authorities that form the Mid and South West Wales Regional group. Since this Model was adapted in 2020 for wider use in plan-making and development management, it is also available for use by the ten Local Planning Authorities in the South East Wales Strategic Planning Group. A copy of the Excel file containing each IFVA has been made available to both the site promoter and BCBC, thereby enabling those parties to undertake any review of the costs and values (as at today's date) that have been used in each IFVA, should that be necessary or appropriate at any time in the future.
- 2.12 Some of the information used in these IFVA's is commercially sensitive, especially at this stage in the plan-making process. For that reason, this Report contains a site-by-site summary of the core information used in, or derived from, each IFVA at **Appendix B**; rather than a full account of all costs and values used in each appraisal.
- 2.13 It is understood that this Report will form part of BCBC's Evidence Base in support of the RDP, which will be publicly available. As is customary in such circumstances, BHL confirms that it has undertaken these IFVA's on what amounts to a joint instruction from BCBC and the six site promoters, for the purposes of establishing whether each potential SHA is likely to be viable. The IFVA's have been carried out with all reasonable skill, care and diligence, and in a manner consistent with the RICS Practice Statement and Guidance Note for Surveyors acting as Expert Witnesses. Nevertheless, no duty of care can be accepted to third parties for the whole or any part of this Report or the contents of the IFVA's.
- 2.14 This Report is solely concerned with the issue of financial viability, and not with any broader issues or constraints (of which BHL is unaware) that might have an effect on the deliverability of these six SHA's. Such broader issues are beyond the remit of this Report.

3. COSTS and VALUES GENERALLY

- 3.1 The process of making a financial assessment for a development proposal involves deducting all estimated costs for that development from the total estimated gross revenue (usually known as the scheme's Gross Development Value, or "GDV"). As stated in the Development Plans Manual, *"development can be considered viable if, after taking account of all known costs including: Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell for the proposed use."*^c
- 3.2 In the course of its engagement with industry stakeholders, who came together as a Viability Study Group ("VSG") at the beginning of 2020, BCBC also asked the promoters of all candidate housing sites (in April 2020) to submit evidence on likely development costs associated with those sites, in order to demonstrate initially whether each development proposal was likely to be "viable" in the context of current planning policies in the County Borough.
- 3.3 On the six potential SHA's that are covered by this Report, the promoters of 3 sites submitted financial viability appraisals in a typical report format; the other 3 shared their views on what assumptions should be made about likely costs and values for their sites, but did not carry out a full viability appraisal. All six promoters though agreed to provide BHL with information that has enabled Independent Financial Viability Appraisals to be carried out. That information has been supplemented by other research undertaken by BHL, especially in the field of the dwelling prices being achieved on recent/current developments in the general vicinity of the six SHA's.
- 3.4 BHL has engaged separately and independently with the promoters of each of the six potential SHA's, to discuss the extent of the information available about known or likely site-specific development costs in particular; but also to review the promoters' views on other costs and values more generally. Proposed development densities and dwelling types (including the proposed/likely mix of dwelling types on each site) have all been "sense-checked" to establish that those aspects of each development also appear realistic. The relationship between the gross area of each site (in hectares/acres) and the estimated net developable area has also been considered.
- 3.5 The process has involved not only some interrogation of site-specific (or "abnormal") works and costs that are likely to be associated with each site; but also some ongoing discussion with BCBC about new evidence and emerging policy changes from other studies commissioned by the Council. Those primarily affect the balance between social rented and intermediate forms of affordable housing tenure (based on a reassessment of future need/demand); and a more detailed assessment of educational costs, and the capacity of existing schools, has also led to revised estimates of the financial contributions that each SHA would need to make towards educational requirements/facilities in the County Borough.
- 3.6 It is necessary to understand the limitations of an IFVA undertaken at this stage in the plan-making process. Whilst it is important to establish that a potential development site is likely to be financially viable, before that site is allocated for development in an LDP; the extent and reliability of information connected with site-specific, "abnormal" works and costs is usually of a preliminary nature at this stage. It is normal (and justifiable) for developers, builders, and other site promoters to defer more detailed (and costly) studies on ground conditions, for example, and on the layout and design of a development, until there is greater certainty that

^c From the paragraph entitled "What is Viability?" on page 138 of the Development Plans Manual.

the site will be identified for development when the RLDP is adopted. That more detailed work can have a bearing on financial viability. Further comment is therefore made, in the site-specific Section 5 of this Report, about the extent and quality of the information BHL has relied upon in each case.

Normal Development Costs

- 3.7 The normal costs of building a new dwelling (commonly referred to as “plot costs”) are usually distinguished from costs associated with servicing each dwelling (e.g. providing access roads, utility and drainage connections, garages/parking areas, gardens and boundary features) all commonly referred to as “external costs”. These two cost categories apply to all development sites, as opposed to “abnormal” costs, which include off-site infrastructure, land remediation and other works/costs that are not typical of all development sites. This Report also deals with another cost category – Community Infrastructure – which is used to embrace costs deriving from any s.106 obligations and/or the Community Infrastructure Levy (where applicable – CIL is not relevant in this County Borough).
- 3.8 Appropriate rates to be applied for “**plot costs**” in BCBC’s high-level viability testing across the County Borough as a whole were discussed and agreed by the Viability Study Group (“VSG”)^D. Recognising that further economies of scale can be achievable on larger/strategic sites, BHL had further discussions with individual site promoters about the rates to be applied in each IFVA. The rates used for each site are shown in Appendix B, and mainly fall within quite a tight range, from £900 to £915 psm^E. The exception is the Porthcawl Waterfront Regeneration site, which is expected to include a high proportion of apartments, possibly (in part) to a height of 3-4 storeys. A higher plot cost rate has been used for those apartment buildings in BHL’s IFVA, resulting in a blended rate across the whole development (which includes 2-storey homes as well) of £974 psm. BHL considers the rates used in each IFVA to be competitive but realistic in the context of evidence that BHL has from other development appraisals in South Wales.
- 3.9 It is recognised that certain building regulations that apply in Wales, but not elsewhere in the UK, must be considered in addition to the “plot cost” rates described above, and which are commonly compared with cost rates drawn from the BCIS database that relate to the UK as a whole. Following individual discussions with each site promoter, BHL has applied an additional cost in all six IFVA’s of £2,550 per dwelling to take account of the requirements for sprinkler systems and ULEV charging points.
- 3.10 It is likely that changes to Part L in the Regulations will be introduced in 2021, along with further changes in 2025, in a drive to improve energy efficiency and reduce carbon emissions in new housing stock^F. It has been considered appropriate to take account of additional costs that are likely to arise from the most imminent changes, in these IFVA’s, even though changes to the Regulations have not yet taken effect. After discussion with the site promoters, it was agreed that it would be appropriate to include an additional cost of £3,000 per dwelling on this account. There is some perception that certain aspects of the Part L changes may be covered (partially at least) by the specification to which national housebuilders are already working. It is also reasonable to assume that the collective cost of extra works and/or materials, required by new Regulations, may not be as great as the sum of the individual costings for each item. Economies of scale may also be achievable on larger sites; and no account has been made in any of these six IFVA’s for a possible enhancement in market values for new homes arising from improved energy efficiency and the potential cost savings to householders.

^D See BCBC’s Statement of Common Ground

^E The lowest rate referred to in the Statement of Common Ground is £918 psm for sites of 50 – 150 dwellings

^F See Welsh Government’s Consultation Document (WG38670) published in December 2019.

- 3.11 With the exception of the Porthcawl Waterfront site, a sum equivalent to £15,000/dwelling has been allowed for “**external costs**” in each IFVA. This translates into percentages ranging from 15% to nearly 20% of total “plot costs” for each SHA (see Appendix B). This is within the same parameters as the VSG established in their SoCG. The Porthcawl Waterfront site has been treated differently, because that scheme includes a high proportion of flats/apartments; for which “external costs” per dwelling will normally be lower than for developments that are primarily based around 2-storey homes with private gardens. The IFVA for the Porthcawl site makes an allowance for “external costs” equivalent to £11,000 per dwelling; still equating to 15% of “plot costs” across the site as a whole. This is considered sufficient to create a basic (but more than minimal) standard of public realm. As will be clear from further comments made in Section 5 of this Report, an additional allowance has been made in the IFVA for this particular site (under “Abnormal” costs) for some further enhancement to that basic standard.
- 3.12 The VSG concluded that for County-wide high-level testing an allowance of £3,000/dwelling should be made for the adoption of **sustainable drainage systems** by SAB authorities⁶. There remains a question over whether the widespread introduction of SuDS will also add to other normal development costs on all sites; although SuDS can be expected to have some impact on the ratio between net developable and gross land areas, especially on smaller sites. In all six of BHL’s IFVA’s an allowance of £3,000/dwelling has been made for costs associated with SuDS – primarily to cover the adoption and future maintenance of those systems. Ultimately, any commuted sum for the adoption/maintenance of SuDS will fall to be assessed/negotiated on a site-by-site basis. Maintenance costs for SuDS on small sites may well be proportionately higher than for larger sites; and particularly sites of the scale of these SHA’s. For this reason, BHL considers the allowance of £3,000/dwelling, made in all six IFVA’s for SuDS, is more likely to be an over-estimate than an under-estimate of the eventual cost/requirements.
- 3.13 A contingency sum equating to 5% of all construction costs has been applied in all six IFVA’s, consistent with BCBC’s SoCG and with normal practice in Viability appraisals of this kind.

Abnormal Development Costs

- 3.14 Abnormal development (or site) costs are those not included in the description of Normal Site Costs set out in the immediately preceding paragraphs of this Report. They are “site-specific” by nature, and may encompass works associated with ground conditions or contamination, steep or difficult terrain or other topographical features; and/or site-specific infrastructure works and requirements. On larger, strategic sites, the cost of such infrastructure (sometimes referred to as “opening-up costs”) can be quite substantial by comparison with smaller sites, particularly where off-site highway works and/or the upgrading of a mains drainage network or other utility supplies is necessary.
- 3.15 A breakdown of the estimated abnormal costs relating to each SHA, based on all information that is currently available, has been set out in the confidential Excel files (copies of the DVM) referred to in paragraph 2.11 of this Report. Those files are treated as confidential because such detailed information can be commercially sensitive at this stage of the planning process. However, an overview of the total abnormal costs that are anticipated for each site is given in Appendix B.
- 3.16 At this stage in the Planning process, estimating abnormal costs is usually quite a “high-level” exercise. It is one area in a development appraisal where there is significant scope for change, as more detailed information becomes available; and where the developer and landowner are exposed to that risk of change. It is not the role of the Planning system to insure a landowner or a developer against risks of this nature; and valuations of development sites will generally

⁶ See BCBC’s Statement of Common Ground

take account of the level of abnormal costs in determining land value. Equally, once the price for development land has been negotiated or paid, it is commonly the developer who carries the risk of managing such costs.

Community Infrastructure

- 3.17 The principal cost for most of the SHA's under this heading relates to building capacity within the County Borough's education facilities – at nursery, primary, secondary and post-16 levels – to serve the new residents on these strategic development sites. During the course of 2020, BCBC has consulted on an updated version of its Education SPG 16, which is mainly concerned with updating the cost of providing new schools to align with the latest national standards.
- 3.18 The sums allowed in each IFVA for each SHA's financial contribution to educational facilities are based on a review by BCBC of the capacity of existing schools and colleges in the vicinity of each SHA; as well as the level of contribution (in £ per pupil place) that would be necessary to expand existing (or create new) provision, where necessary. The results of this review were passed to the site promoters and to BHL, so that they could be incorporated in the IFVA's, in December 2020. The IFVA's therefore include financial contributions that are based on the updated SPG 16, which was progressing towards formal adoption by BCBC at that time.
- 3.19 Each SHA is expected to make its own on-site provision for appropriate community facilities, outdoor recreation and public open space; and this has been factored into each IFVA. In all cases bar one (the SHA at Pencoed^H), allowance has been made for a commuted sum to be paid to BCBC for the adoption and future maintenance of public open space within each SHA.
- 3.20 It is expected that all contributions (financial and physical) towards Community Infrastructure will be secured by s.106 obligations, if and when planning consents are granted on any of the SHA's. It should again be noted that financial contributions that have been estimated for the purposes of this Report will still have to pass the three tests of reasonableness associated with s.106 obligations; and may also be subject to variation due to other circumstances, such as a change in costs or need.

Professional fees & warranties

- 3.21 The allowance BHL has made for professional fees and building warranties in all but one of these IFVA's is based on 5% of total plot and external costs for each scheme, plus 10% on the total of all other construction costs (mainly abnormal/opening-up costs). The 5% rate is lower than the rates agreed for high-level testing on smaller sites^I but reflects the norm for larger, strategic sites where development will be based largely on standard dwelling types; as well as the economies of scale that will normally be achievable.
- 3.22 A higher allowance of 6% of total plot and external costs, plus 10% on the total of all other construction costs, has been made in the IFVA for the Porthcawl Waterfront site to reflect the greater site-specific design requirements that will be associated with that development.

Sales & Marketing

- 3.23 The same allowance (2.5% of gross revenue from the sale of all open market homes) has been made in all six IFVA's to cover agency commission and costs associated with on-site sales offices, show homes and general publicity. In addition to this, each IFVA allows for legal costs based on £600 per dwelling for open market homes and £250 per dwelling for the affordable homes.

^H See Section 5 of this Report

^I See BCBC's Statement of Common Ground

Finance Costs & Development Timelines

- 3.24 An “all-in” debit interest rate of 5% p.a. is agreed with the promoters of all 6 SHA’s, together with a credit interest rate of 0.5% p.a., as being appropriate for the calculation of finance costs for each development.
- 3.25 These interest rates are applied to cumulative debit and credit balances in a monthly cashflow forecast that is created by (and in) the DVM, in order to calculate the total cost of borrowing and equity necessary to finance the development.
- 3.26 BHL has discussed the capacity of the housing market, relevant to each SHA, with each site promoter; and, in tandem with that, a target rate (in numbers per annum) for the sale of open market homes. This has been translated into a monthly sales rate at Appendix B. In all cases, the development timeline for each IFVA has been determined by that estimated sales rate and includes an assumption that for at least part of the development period, sales will be taking place from more than one outlet on each site.
- 3.27 Efforts have been made to apply a realistic timescale to major infrastructure works and other abnormal costs within the overall timeframe for each SHA; recognising that in many instances, for sites of this scale, such costs will be incurred in the earlier stages of the development.
- 3.28 In all cases it has been assumed that each development will proceed in phases, reflecting the same principles as are described in para 3.26 above; and that land will be drawn down and paid for by the developer in a number of tranches, according to those development phases.

Gross Development Value

- 3.29 All six IFVA’s are primarily concerned with residential development, although most of the sites will also include the creation of neighbourhood/local centres that contain commercial facilities of a scale that is appropriate to normal place-making criteria.
- 3.30 For the first four SHA’s in the table at Appendix B, no specific financial assessment has been made of either costs or values that are likely to be associated with their neighbourhood/local centres; partly because the precise nature of those centres has yet to be determined. In those four cases, it has been assumed that this element of each development will be “cost neutral”^J.
- 3.31 In the other two cases (Porthcawl Waterfront and Parc Afon Ewenni), some assumptions have been made about the likely extent and use of commercial floorspace within the development as a whole^K; but the conclusions from the financial assessments made in those two cases again show that this element of those developments is unlikely to have a significant impact, either positive or negative, on the financial viability of the sites as a whole.
- 3.32 Data on the prices at which houses have sold in the relevant areas and on comparable sites is available from HM Land Registry’s website and can be downloaded for further analysis. Other relevant information is also available from the EPC Register, other websites such as Rightmove and Zoopla, and also from a Planning Authority’s own records. However, careful and thorough analysis of this data is necessary to provide a reliable and robust evidence base for viability assessments. One must also recognise that there are often differentials in the popularity of specific housing areas, sometimes not all that far apart geographically, which have a bearing on the market values that are likely to be achieved on a particular new development site.
- 3.33 Housing values can also be affected/enhanced by good design, and by creating attractive living environments that are well-serviced and sustainable (i.e. by “place-making”). Well-conceived

^J Meaning that this element of the development is unlikely to contribute significantly, either in a positive or a negative way, to the financial viability of the development as a whole.

^K Further details about the assumptions made are set out in Section 5 of this Report.

and well-executed housing developments, in particular, will usually command higher values/ selling prices than those achieved for even quite recent second-hand stock.

- 3.34 A general analysis of evidence from recent sales on relevant/comparable development sites is attached as **Appendix C** to this Report. This has been assembled from the sources mentioned above. Further comments are made in Section 5 below (and in Appendix C) to explain how the evidence presented in Appendix C has been applied to each IFVA.
- 3.35 Values attributed to affordable housing are based on the Welsh Government Acceptable Cost Guidance (ACG), using the revised Annex A published in January 2018. Values for social-rented homes have been taken at 42% of ACG; and those for intermediate housing at 60% of market value for the Porthcawl Waterfront site, and 70% of market value in all other cases. All 6 SHA's are in areas where ACG Band 4 rates apply, as shown in Appendix B to this Report. The mix of affordable housing for each SDA has been based on the Council's most recent assessment of housing need. In some instances, this has increased the proportion of intermediate tenure compared with the guidance initially issued to site promoters in April 2020.

Sensitivity Testing

- 3.36 In accordance with best practice, the results from each IFVA have been sensitivity tested to show the effect on developer's profit of the following changes to the basic inputs:
- plus/minus 10% in gross development value;
 - plus/minus 10% in build (plot + external) costs;
 - plus/minus 15% in land value.
- 3.37 For all six IFVA's, this indicates a broad range of possible outturns. In the least profitable scenarios – for example where a 10% shortfall in GDV is accompanied by a 10% rise in build costs – the profit margin may be significantly less than that to which a developer would aspire at the outset of the project; but those scenarios are equally matched by the opportunities to exceed the margin estimated at the outset. At no point in the sensitivity tables derived from any/all of these IFVA's is the developer likely to incur a financial loss on the project. That is an important consideration from a funding viewpoint.

4. BENCHMARK LAND VALUE and DEVELOPMENT PROFIT

- 4.1 BCBC's Viability Study Group discussed land value benchmarks at some length^L. A land value that is "sufficient to encourage a land owner to sell for the proposed use"^M will vary between sites in lower and higher housing value areas, and should also be influenced by the level of "abnormal site costs" that are expected to be associated with a particular site.
- 4.2 In the IFVA's undertaken for this Report, BHL has adopted the benchmark land values agreed in the VSG's SoCG; and those benchmark values are included in the table at Appendix B as a comparison with the land values that have been used in each IFVA. This demonstrates that, when abnormal site costs are taken into account (where necessary), all six SHA's should be capable of generating a "sufficient" return to the land owner(s).
- 4.3 As stated in the previous section of this Report, it has been assumed in all six IFVA's that land would be drawn down and paid for by the developer in a number of tranches, according to a phased development programme for each site.
- 4.4 The DVM used for all six IFVA's calculates and adds Land Transaction Tax to the development appraisal automatically. An allowance for other acquisition costs, calculated at 1.5% of the land value, is also common to all six IFVA's.
- 4.5 The Development Plans Manual recognises^N that a "viable" profit margin for developers, and one that is "necessary to meet most lenders' requirements", will normally range from 15% to 20% of the estimated Gross Development Value ("GDV") from property that will be let or sold on the open market; whilst a lower margin, based on 6% of cost, will normally be appropriate for any affordable housing in a scheme.
- 4.6 The level of developer profit that is applied to a site-specific IFVA should reflect the assessor's view on the level of risk that is attached to the development proposal, as seen in the context of the likely demand for the site/opportunity within the development market – the expected profit should be a "market risk adjusted return to the developer"^O.
- 4.7 The expected/target profit margin for larger scale development opportunities, such as these SHA's, will generally be at the upper end of the range referred to in para 4.5 above. That reflects the higher level of risk associated with developments that will take several years to complete, and which may therefore be subject to changing economic circumstances during the overall development period; as well as the risks inherent in carrying the costs of upfront expenditure on infrastructure, in addition to the potential uncertainties associated with such costs.
- 4.8 In all six IFVA's, BHL has set a target profit based on the following margins:
- 20% on GDV for residential property that will be let or sold on the open market;
 - 6% on the construction costs with the affordable housing in each scheme;
 - 15% on the Net Development Value (GDV less an investor's typical acquisition costs) for any non-residential property that is appraised as a specific element in the IFVA.
- 4.9 The results from all six IFVA's show that these SHA's should all be capable of achieving that target level of developer profit, with a (proportionately) small surplus as a buffer; in addition to delivering a "sufficient" land value, as shown at Appendix B.

^L See Statement of Common Ground dated 15th September 2020.

^M See quotation from the Development Plans Manual at para 3.1 of this Report.

^N See commentary on Developer Profit in Table 24 on page 145 of the Manual.

^O See RICS Guidance Note 94/2012 on Financial Viability in Planning

5. SITE-SPECIFIC ISSUES and ASSESSMENTS

- 5.1 Each of the potential SHA's has its own site-specific characteristics, community and physical infrastructure requirements, possible challenges and opportunities. This section of the Report aims to highlight these issues, as far as they are known. An explanation of how estimates of gross development value for each IFVA have been arrived at, is given here and in Appendix C.
- 5.2 Throughout this section of the Report, wherever an estimated rate of delivery for new homes is given for an SHA, that includes both affordable housing and homes that will be to let or for sale on the open market.

ISLAND FARM and CRAIG-Y-PARCAU

815 new homes

- 5.3 This SHA is divided into two parts. The main area proposed for development lies to the south of the Bridgend Science Park, but will take its primary access from the A48 trunk road, through the Island Farm site. A smaller secondary area (Craig-Y-Parcau) lies to the west, and has direct access from the southern arm of the A48 roundabout that provides access to the Broadlands estate from the south. Overall the SHA has an estimated gross site area of 57.8 hectares (143 acres) of which the net developable area is approximately 21.4 hectares (53 acres). This net to gross ratio (37%) is low because the gross site area includes land through which the primary access road will pass and other substantial areas that are to provide general amenity to the proposed residential development.
- 5.4 The gross site area also includes land that is being set aside for the relocation of Heronsbridge School (about 4 hectares), a new primary school (about 1.4 hectares) and a tennis centre (2.7 hectares); although only the new primary school is relevant to, and included in, the IFVA that BHL has undertaken.
- 5.5 Topographically, the areas proposed for development consist of generally level or gently sloping farmland, broken up with mature hedgerows and woodland areas. Part of the Island Farm site is designated as a SINC (Site of Interest for Nature Conservation) and will be retained as such.
- 5.6 A Masterplan for the proposed residential development of the site has been prepared by the site promoter. BHL has also held detailed discussions on the likely mix of dwelling types with the site promoter, and the IFVA reflects a likelihood that the development will proceed in at least 3 phases.
- 5.7 The extent of the areas set aside for general amenity and public open space in the indicative Masterplan should comfortably allow a density of 38 dwellings per hectare to be achieved on the net developable area of the site. The market is also likely to favour larger/family homes in this location. A density of 3,355 sqm/net hectare (see Appendix B) is also seen as being easily achievable on this SHA.
- 5.8 The site promoter expects to deliver an average of 120 dwellings each year, which would see the development completed within the period covered by the RLDP. It is envisaged that sales would take place from more than one outlet on the site, throughout the overall development period.
- 5.9 The likely need for, and cost of, any reinforcement to utility and drainage networks has been suitably researched and explained by the site promoter. A preliminary Transport Assessment has also been undertaken, identifying potential requirements for particular off-site highway improvements, which have been taken into account in the IFVA. BHL has also had sight of the ecological appraisal and ground investigations report commissioned by the site promoter. In BHL's opinion, the site promoter has taken all reasonable steps at this stage in the Planning

process to assess the likely abnormal and “opening-up” costs (including off-site infrastructure works) for this site.

BRIDGEND COLLEGE PENCOED CAMPUS

770 new homes

- 5.10 This SHA currently forms part of Bridgend College’s Pencoed Campus, and consists of playing fields, sports pitches, pasture land and a former golf course. It has been used by the College in connection with its sports, agricultural and equine curricula; but its potential allocation for residential development is part of a broader strategy/reorganisation of the College as a whole. Sony’s UK Technology Centre (part of a wider employment land allocation) is immediately to the south of the SHA.
- 5.11 The site lies mainly on the east side of the A473 main road, which gives it direct access to the M4 motorway at Junction 35. Its gross site area is approximately 52 hectares (128 acres); of which the net developable area is estimated to be 22.2 hectares (55 acres). This is a relatively low net to gross ratio of just 44%; even though the land is reasonably level across the whole site, with only minor slopes that pose very little constraint to an efficient residential layout.
- 5.12 An average dwelling size of only 83.8 sqm, coupled with a development density of 2,910 sqm/hectare (see Appendix B) is considered low for this fairly straightforward greenfield SHA. BHL’s view is that there is scope for a greater proportion of larger/family homes in the proposed mix of dwelling types, and/or an increase in the number of homes on this site – given also the low net to gross land area ratio (see preceding paragraph). BCBC’s Preferred Strategy Consultation paper suggested that the SHA might deliver/accommodate between 800 – 1,000 new homes.
- 5.13 A series of studies have been commissioned by the site promoters, including the preparation of a Concept Masterplan, an initial Transport Appraisal, and a flood risk assessment and initial drainage strategy for the SHA. Appropriate enquiries have also been made of DCWW and the major utility companies to establish the availability and capacity of existing infrastructure networks. All responses and reports have been shared with BHL.
- 5.14 The site is traversed by a high-pressure gas main and a public sewer. The Concept Masterplan shows how the former can be accommodated within the proposed development layout. Some sections of the sewer are likely to need diverting. The development would be served by a new spine road running between the northeast and southwest corners of the site. It is considered that the cost allowances made in the IFVA for these works – and for connection to the main utility networks – are adequate and suitably informed at this stage in the planning process.
- 5.15 Appropriate allowance has also been made in the IFVA for the establishment of new playing fields and other outdoor recreational facilities; and the College is expecting to share/maintain the facilities it has/requires, as part of its sports faculty. Whatever future maintenance liability is not covered in this way will be handed to (and financed by) a management company under the control of the new residents of the SHA.
- 5.16 In BHL’s IFVA, this SHA has been forecast to deliver an average of 120 dwellings each year, assuming sales from more than one outlet on the site throughout the overall development period. On this basis, development of the whole SHA could be completed by mid-2030, well within the period of the RLDP.

PARC LLANGEWYDD

850 new homes

- 5.17 This SHA lies to the west of the Bryntirion housing estates on the north side of the A473 main road, linking Bridgend with Laleston to the west and Pencoed and M4 Junction 35 to the east. Its gross site area is approximately 36.8 hectares (91 acres) of which the net developable area is estimated to be 22.5 hectares (56 acres). This net to gross ratio is within normal parameters for a site of this size. The proposed density of 38 dwellings per hectare (and 3,507 sqm/ha) is also considered to be typical of a well-balanced mix of dwelling types on a site of this nature.

- 5.18 Topographically, it consists primarily of generally level or gently sloping pastureland, broken up with mature hedgerows. At its northern end, the SHA includes land that forms part of the Laleston Meadows SINC (Site of Interest for Nature Conservation), for which the site promoter has undertaken a preliminary Habitat Impact Assessment and prepared an Ecological Briefing Note.
- 5.19 A Masterplan for the proposed residential development of the site has been prepared by the site promoter. BHL has also held detailed discussions of the likely mix of dwelling types with the site promoter, and the IFVA reflects a likelihood that the development will proceed in four phases.
- 5.20 The site promoter expects to deliver an average of 90 dwellings each year, which should see the development completed within the period covered by the RLDP. This will involve sales from more than one outlet on the site for at least some of the overall development period.
- 5.21 The likely need for, and cost of, any reinforcement to utility and drainage networks has been suitably researched and explained by the site promoter. A preliminary Transport Assessment has also been undertaken. In BHL's opinion, the site promoter has taken all reasonable steps at this stage in the Planning process to assess the likely "opening-up" costs (including off-site infrastructure works) for this site.

LAND EAST of PYLE

2,000 new homes

- 5.22 This SHA lies between the railway line and the M4 motorway on the south side of Pyle and Kenfig Hill, with more or less direct access to the M4 at Junction 37. It has a gross site area of approximately 97.1 hectares (240 acres) of which the net developable area is estimated to be 58 hectares (143 acres). The site has been extended from that initially shown in the Candidate Sites Register, to include land adjacent to the M4 towards the southwest corner of the site.
- 5.23 Topographically, the land rises from its northwest corner (adjacent to the A4229 road and its junction with the A48) and the site is divided by the A48 trunk road. The ground slopes away to the northeast of the A48, towards the railway line, and to the west where the site borders with the A4229 and the M4. Some of the slopes are quite pronounced, offering place-making and design opportunities as well as challenges. A 60% ratio of net developable site area to the gross site area reflects this.
- 5.24 A proposed density of 34.5 dwellings per hectare (and 3,624 sqm/ha) seems appropriate for this greenfield site, coupled with a promotional scheme that includes a strong proportion of larger/family homes. A fairly detailed discussion has taken place with the site promoters about the proposed dwelling mix, to establish a sound basis for the IFVA.
- 5.25 Development on both sides of the A48 is likely to be accessed initially by means of a staggered junction arrangement on that trunk road near the centre of the SHA; with secondary access points being formed to the A48 and A4229 later, to release other parts of both eastern and western development areas respectively.
- 5.26 The SHA has been forecast to deliver an average of c.140 dwellings each year, assuming sales from more than one outlet on the site throughout the overall development period. A forecast total of 2,000 new homes could not all be delivered within the period of the RLDP (to 2033). It is likely that development of the whole SHA would not be completed until around 2039. BHL's IFVA assumes that between 1,250 – 1,300 new homes could be delivered by the end of 2033. Requirements for community infrastructure have been phased accordingly in the IFVA.
- 5.27 Good connectivity with the existing settlement(s) north of the railway line is clearly critical to the sustainability credentials of this SHA. Detailed discussions have taken place with BCBC's forward planning team on this issue, which BHL has taken into account in the IFVA. Although there is further detailed work to be done on this, BHL considers that the cost allowances made

in the IFVA should be adequate to meet the likely requirements/off-site works in this respect. The relatively high level of abnormal costs relating to this SHA can be seen at Appendix B.

- 5.28 Appropriate investigations have been made by the site promoters of DCWW and major utility companies; and the responses have been shared with BHL. It is again considered that the cost allowances made in the IFVA for reinforcement/upgrading works are adequate and suitably informed at this stage in the planning process.

PORTHCAWL WATERFRONT

1,115 new homes

- 5.29 This SHA includes the areas known as Salt Lake, Coney Beach and Sandy Bay that lie to the east of the main town centre and look out over Sandy Bay. It is part of the Porthcawl Strategic Regeneration Area, and has been identified for potential re-development for some years. The gross site area is approximately 37.9 hectares (94 acres) of which the net developable area is estimated to be 19.1 hectares (47 acres). A 50% net to gross ratio reflects the sensitive nature of certain areas within the site, which are protected from development. The proposed density of 58 dwellings per hectare (and 4,236 sqm/ha) on the developable parts of the site fulfils the development concepts and guidelines set out in the Seven Bays Project SPG.
- 5.30 The IFVA undertaken by BHL has focused on the land areas identified for new housing, and the site for a new foodstore (at the northern end of Salt Lake). It does not encompass land at the southern end of Salt Lake that has been identified for a mixed leisure and residential use; nor does it include land to the west of The Portway that has been identified for car parking and new commercial development. It does include the existing Coney Beach leisure and retail park on the Sandy Bay waterfront. It is understood that the owners of the park are ready to close it at an appropriate juncture, as development of the SHA proceeds.
- 5.31 Topographically, the entire SHA consists of reasonably level ground. Parts of the site are at risk of flooding and coastal/flood defence works have been identified to mitigate that. Initial work on the west side of Sandy Bay (Eastern Promenade), which are aimed at protecting existing homes, are scheduled to commence in Spring 2021. The cost of other coastal defence works, outlined in a report by Arup in August 2020, have been taken on board in the IFVA.
- 5.32 A report on the capacity of existing drainage and utility networks has also been made available to BHL by the site owners/promoters. This identifies a need for some upgrading of the local electricity supply network, with an estimated cost that has been allowed for in the IFVA.
- 5.33 BHL has also held detailed discussions with BCBC and representatives of the site owners (and promoters) on the likely mix of dwelling types. That mix includes quite a high proportion (51%) of flats/apartments, which is seen as appropriate for this waterfront site. The remainder of the residential development will take the form of 2- and 3-storey housing. Some time was spent, before the IFVA was finalised, discussing and refining the development densities that would be appropriate for different parts of the site. One outcome of this process was the conclusion that the SHA would accommodate/deliver around 1,115 new homes, rather than higher estimates that had been made in the past.
- 5.34 For the purposes of BHL's IFVA, the residential development area has been divided into seven parcels; and is likely to be developed in a number of phases, with sales taking place from more than one outlet on the site for most, if not all, of the overall development period. It has been assumed/estimated that the SHA could deliver an average of 115 dwellings each year, which would potentially see the development completed by mid-2030.
- 5.35 The IFVA includes an appraisal of a new parade of retail units, with an estimated net lettable floor area of 1,858 sqm (20,000 sq ft) for a range of potential A1/A3/A4/A5 uses on the Coney Beach waterfront. It also allows for a capital injection from the sale of the foodstore site at an

early stage in the overall development programme. This will help to offset anticipated upfront costs of highway infrastructure and other “opening up” works.

- 5.36 Given that this strategic regeneration site has not come forward in previous years, BHL’s IFVA has taken a deliberately cautious approach in the assumptions made about costs and values, and on development densities. This potentially underplays the true profitability of this unusual development opportunity, which ought to attract strong interest from potential developers. In BHL’s opinion, careful attention to design throughout the development, and the creation of a strong public realm, should pay dividends in terms of the gross development value that this SHA could potentially generate. It is considered that the IFVA represents a “baseline” viability assessment for this site; and that there could be opportunities for it to generate better returns in a number of ways. Even so, BHL’s IFVA includes a “baseline” allowance of £3 million for the creation of new public realm, as an “abnormal” cost, in addition to normal “external” costs for the proposed development.

PARC AFON EWENNI

675 new homes

- 5.37 This SHA lies to the south of the A473 main road, opposite the Bridgend Industrial Estate, with the A48 forming its western boundary. The River Ewenni runs along its southern boundary. Its gross site area is approximately 22.9 hectares (57 acres) of which the net developable area is estimated to be 18.1 hectares (45 acres). This net to gross ratio reflects the brownfield nature of the site, within the existing urban framework. The proposed density of 37.3 dwellings per hectare (and 3,234 sqm/ha) is arguably less than the maximum development density that one would expect for a brownfield site; but may be constrained by the capacity of a single access from the A473 (as currently proposed).
- 5.38 The site as a whole is allocated in the existing LDP for development with up to 650 dwellings, together with local retailing and some business uses. The central portion of the site already has outline planning consent for a development of up to 240 dwellings, plus 1,123 sqm (about 12,000 sq ft) of retail/recreational/community floorspace. Access from the A473 for the whole of the SHA is expected to be via this central area.
- 5.39 The eastern portion of the site is BCBC’s Waterton Highways Depot; while the western portion provides various facilities for South Wales Police. These existing uses are planning to relocate.
- 5.40 Historically, the majority of this SHA was part of the Bridgend Royal Ordnance Factory, and was more specifically used as the burning grounds for unusable munitions. When the factory was demolished, it is understood that spoil from the demolition (including asbestos material) was spread across the site. Remaining buildings on the site will need to be demolished, and significant areas of hardstanding will need to be broken up.
- 5.41 Topographically, the entire SHA consists of generally level ground. Investigations have been undertaken to establish that limited parts of the site, principally adjacent to the river on the southern boundary, are at any risk of flooding. BHL’s IFVA has been informed by a Masterplan for development of the whole site, which takes account of this risk and includes appropriate mitigation measures.
- 5.42 BHL has also held detailed discussions with BCBC on the likely mix of dwelling types, and the IFVA reflects a likelihood that the development will proceed in three main phases. The SHA could deliver an average of 105 dwellings each year, assuming sales from more than one outlet on the site for most, if not all, of the overall development period. This would potentially see the development completed by mid-2030.
- 5.43 A detailed report from environmental consultants was obtained by BCBC in 2020 to identify an appropriate remediation strategy for the site. The recommendations in that report have been taken into account in the IFVA. Responses from DCWW and major utility companies indicate

that, for the most part, existing networks are capable of servicing the full development of this SHA. A contingency allowance has nevertheless been built into the IFVA to allow for possible upgrading works, particularly in relation to electricity supply.

- 5.44 The current outline consent on the central portion of the site only requires 5% of the total number of dwellings to be “affordable” homes. Nevertheless, BHL has based the IFVA on an assumption that 20% of the dwellings across the whole SHA would be “affordable”.
- 5.45 The IFVA includes an assumption that the overall development will include a net lettable area of 1,115 sqm (12,000 sq ft) for new retail uses, including a small convenience store of 372 sqm (4,000 sq ft). This is compatible with the existing outline consent mentioned above.

6. CONCLUSIONS

- 6.1 The IFVA's undertaken for this Report have involved a level of site-specific investigation that is appropriate for what Welsh Government's Development Plans Manual describes as "key sites"^P. Nevertheless, and as is commonly the case, it must be recognised that the level of information available in some cases limited in extent, particularly as far as infrastructure and site "opening up" costs are concerned. So, the IFVA's summarised in this Report, for each SDA, are still essentially "high-level" estimates of financial viability.
- 6.2 All the IFVA's have been prepared without the benefit of any detailed layout plans for the site's development. Highlighting this is important; as relatively small variations in the gross development value of a scheme will have a somewhat larger impact on the site's land value and/or on developer's profit. However, all the IFVA's have been prepared with the benefit of at least an illustrative masterplan; and after discussion with each site promoter about the type and mix of dwellings for each SHA. Although that may or may not accord with final outline or reserved matters applications/consents, the assumptions made in each IFVA are considered to be sufficiently robust and proportionate to the information one would expect to be available at this stage in the Planning process.
- 6.3 In the course of the work undertaken on each IFVA, information and comments have been received from site promoters on the likely cost of major infrastructure, "abnormal" and opening up" costs that they expect to be associated with the development of each SHA, based on whatever studies have been undertaken to date. There has been a satisfactory degree of transparency in this respect, given that some of the information is considered commercially sensitive. The process has involved what might best be described as "an open dialogue" with the site promoters, which has enabled BHL to "interrogate" the information supplied by each site promoter to a sensible and proportionate extent. Even so, in all cases, the information available has been subject to a degree of uncertainty that is inevitable at this stage in the planning process for such sites.
- 6.4 Notwithstanding all the above, at current costs and values there should be no fundamental concerns about the viability of any of the SHA's covered by this Report. The IFVA's undertaken have been based on realistic and reasonable assumptions concerning costs and values, and demonstrate that all the SHA's are capable of meeting the proposed RLDP policy requirements in full, whilst also providing competitive returns to both the landowner(s) and the developer(s) involved.
- 6.5 All the IFVA's have been undertaken using the DVM; and a copy of the Excel file for each site has been given to BCBC and to each site promoter. This will facilitate any review of the data and assumptions upon which BHL's IFVA's have been based, should that be necessary and/or appropriate at a future date.

Andrew Burrows MA FRICS

Director

Burrows-Hutchinson Ltd

Strategic Asset Management

Economic Regeneration and Viability

Energy Conservation and Performance

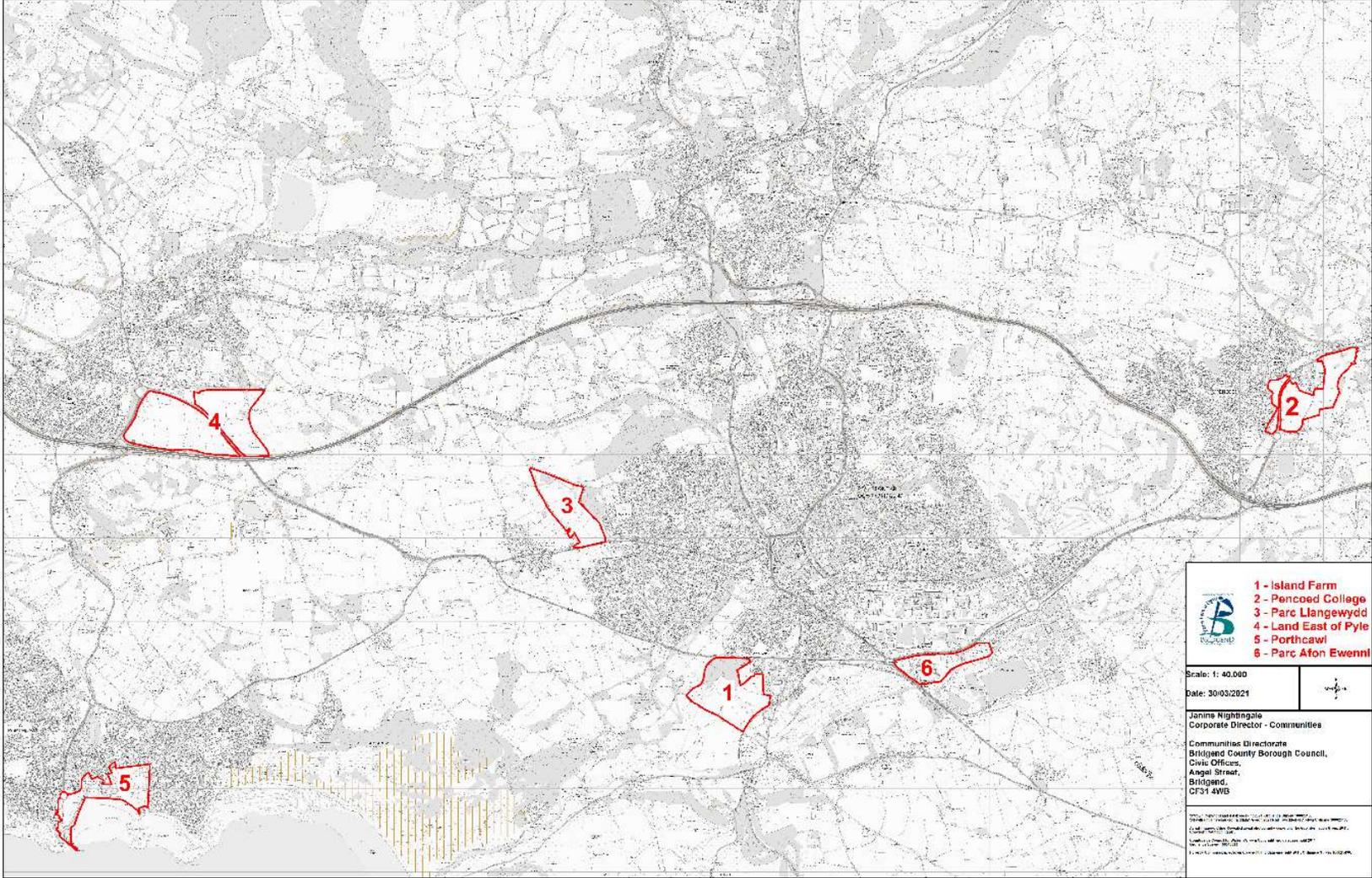
30th March 2021

^P See para 5.89 in the Development Plans Manual

APPENDICES

APPENDIX A : LOCATION PLAN

STRATEGIC SITES BRIDGEND COUNTY BOROUGH



APPENDIX B : SUMMARY of IFVA's

SUMMARY of IFVA Inputs & Outputs for BRIDGEND SHA's

<u>Site</u>	<u>Island Farm</u>	<u>Pencoed College</u>	<u>Parc Llangewydd</u>	<u>East of Pyle</u>	<u>Porthcawl</u>	<u>Parc Afon Ewenni</u>
Development Period	6/23 - 6/31	6/23 - 8/30	1/23 - 06/33	6/23 - 03/39	6/22 - 6/30	6/22 - 4/30
N° of dwellings	815	770	850	2,000	1,115	675
% Affordable	20%	20%	20%	15%	30%	20%
ACG Band	Band 4	Band 4	Band 4	Band 4	Band 4	Band 4
Density (sqm/net ha)	3,355	2,910	3,507	3,624	4,236	3,186
Average GIA (sqm) *	88.2	83.8	92.7	105.1	70.2	81.8
OM Values (£psm)	£2,417	£2,383	£2,347	£2,232	£2,832	£2,382
Monthly Sales Rate **	8.0	8.0	6.0	10.0	9.6	7.0
Build/Plot Costs (£psm)	£915	£915	£900	£900	£974	£915
Externals (% of Build)	18.58%	19.56%	18.03%	15.86%	15.00%	19.76%
and as £ per dwelling	£15,000	£15,000	£15,000	£15,000	£11,000	£15,000
Abnormals (£/net ha)	£392,000	£139,800	£252,200	£514,000	£543,900	£330,000
s.106 Obligations (£/dwg)	£7,780	£8,902	£14,900	£12,714	£4,153	£6,491
Finance Costs (% p.a.)	5%	5%	5%	5%	5%	5%
Land Value (£/net ha)	£629,960	£620,005	£623,315	£431,035	£750,000	£479,530
SoCG Benchmark (£/ha)	£620,000	£620,000	£620,000	£500,000	£750,000	£620,000

* the average dwelling size arising from the assumed mix of dwelling types in each IFVA

** indicates the average monthly sales rate of open market homes that has been assumed for each SHA; typically from more than one outlet

APPENDIX C : EVIDENCE of MARKET VALUES for NEW HOMES

C.1 In its Statement of Common Ground (“SoCG”) BCBC’s Viability Study Group agreed on a series of values (in £ per sqm) that would be used for high-level viability assessments in different Housing Market Areas across the County Borough. Those rates/values were based largely on data from sales registered between 2016 and 2019 – and including 2015 in The Valleys. Of necessity, wherever the number of recorded first-time sales of newly built homes was low, the evidence was based largely on sales of second-hand stock – no doubt of variable age and condition – to which an uplift of 21% was applied to reflect the average County-wide differential between new and second-hand values – the “new-build premium”.

C.2 This methodology is entirely appropriate for high-level assessments made across the County Borough as a whole; but for site-specific appraisals, the data should be supplemented with market evidence from current or recent developments of a directly comparable nature, wherever possible.

C.3 Using the same basic methodology, Burrows-Hutchinson Ltd (“BHL”) has collected data from HM Land Registry and the EPC Register on the developments listed below, to assess the estimated selling prices put forward by the site promoters and to arrive ultimately at its own estimates for the purposes of each IFVA.

C.4 The table below summarises the sales data from 14 current or recent developments that BHL considers offer the most comparable evidence for estimating the market values that are likely to be achieved on the six SHA’s that are covered by this Report. It records the number of sales included in the sample, and the time period to which those sales relate; as well as the average size of dwelling within each sample (GIA in sqm). Where the sample includes re-sales of relatively new or second-hand properties, the upper quartile figures are shown as well as the average of all sales values. When applying evidence from re-sales/second-hand property sales, it is reasonable to assume that the price at which a brand-new dwelling may be sold will fall somewhere between the average and upper quartile figures, to reflect the “new build premium” described in paragraph C.1 above.

Site Name/Description	Age *	Sales Period	N° of Sales	Average Results			Upper Quartile	
	NB/SH			GIA m ²	Sold Price	£ psm	Sold Price	£ psm
Broadlands, W Bridgend	SH	01/19 - 07/20	130	102	£220,302	£2,151	£259,500	£2,365
Morgan's Meadow, Cefn Glas	NB	04/19 - 12/19	36	79	£190,400	£2,422		
Parc Derwen, Coity	NB	01/18 - 01/20	235	97	£208,197	£2,139		
Gerddi Castell, Coity	NB	01/19 - 05/20	103	79	£177,068	£2,255		
Cae Brewis, Boverton (VoG)	NB	03/19 - 11/19	19	97	£246,600	£2,533		
Ogmore-by-Sea (VoG)	NB	04/18 - 12/18	13	179	£463,730	£2,586		
Court Close, Aberthin (VoG)	NB	05/18 - 05/19	10	134	£467,885	£3,492		
St Ildis Meadow, Llanharan	SH	07/18 - 06/20	19	83	£201,000	£2,409	£216,250	£2,552
Bryn Meurig, Llanharry (RCT)	Both	01/18 - 06/20	33	92	£210,613	£2,298	£242,995	£2,351
Clos Y Mametz, Porthcawl **	Both	09/15 - 02/20	46	118	£246,250	£2,587		
Ogmore Drive, Nottage	SH	01/18 - 05/20	17	71	£190,512	£2,697	£228,000	£2,807
Esplanade House, Porthcawl	SH	04/17 - 01/20	9	81	£247,390	£3,063	£285,000	
Jennings Building, Porthcawl	Both	11/17 - 07/20	17	53	£156,412	£3,045	£165,000	£3,426
Margham Village (NPT)	SH	03/19 - 05/20	29	117	£249,938	£2,135	£295,000	£2,366
* NB = new build, SH = second-hand/re-sales								
** earliest sales have been indexed to reflect 2019/20 resale values								

C.5 Esplanade House and the Jennings Building in Porthcawl are blocks of apartments only. The remaining sites consist primarily of 2-storey estate houses.

C.6 The data above was gathered and analysed in the Autumn of 2020. BHL sought to restrict the evidence used in the IFVA's to that from sales between the beginning of 2019 and June/July 2020, so that it would be broadly contemporaneous with the construction cost rates being used in the IFVA's. In some instances though it was necessary to extend the sales period to achieve a reasonable/better sample size.

C.7 Data from HM Land Registry records 233 sales on the Broadlands estate from January 2015 to December 2016; a further 126 sales in 2017; 118 sales in 2018; and 130 sales between January 2019 and July 2020. It may therefore be considered a fairly good barometer of prices for relatively modern second-hand housing stock. Taking the average level of value achieved in 2015 and 2016 together as a baseline, the average price paid in 2017 showed an increase of 4% on the 2015/16 baseline; while the average price paid in 2018 was 13% higher than the same baseline. The average price paid in the 18-month period following January 2019 was 16% above the 2015/16 baseline.

C.8 BHL's estimates of the likely selling prices for new homes on the Parc Llangewydd and Parc Afon Ewenni SHA's have been based largely on the evidence from the first 4 sites in the table above, which have also been the main basis for assessing market values on the Island Farm SHA. However, it is considered that values on the Island Farm SHA could also be influenced, to some extent, by higher values that have been achieved on the three Vale of Glamorgan sites that feature next in the table.

C.9 Although the developments at Llanharan and Llanharry are within the neighbouring County Borough of Rhondda Cynon Taff ("RCT"), they are considered good comparables for the proposed SHA at Pencoed on the College Campus there. Values being achieved on the Llanharan development in particular support the estimates of value used in the Pencoed IFVA.

C.10 Similarly, the Margham Village development – although it is in the neighbouring Neath Port Talbot County Borough – is considered to offer robust comparable evidence for likely selling prices on the East of Pyle SHA. Other developments within the Pyle/Kenfig Hill/North Cornelly urban area are of a considerably smaller scale and/or are of less recent origin. The East of Pyle SHA has arguably better/easier access to the M4 and to local employment opportunities than Margham Village.

C.11 Comparable evidence for the Porthcawl Waterfront SHA are quite limited, as this proposed development is on a much larger scale than any other recent scheme around the town. It is also a relatively unique development opportunity that could command very strong values, if it is planned and executed successfully. The sales evidence in the table above, from 4 local sites, is largely from re-sales of second-hand properties, but supports the estimated values used by BHL in its IFVA, which average £2,672 psm for 2- and 3-storey houses, and £3,102 psm for apartments. BHL is aware that much higher values have been achieved over the course of the last two years at The Links, a high-quality scheme of studio, 1-bed, 2-bed and 3-bed apartments overlooking Rest Bay; where reported values have ranged from £3,350 psm to over £5,000 psm. With good design, similar values might be achievable on the Sandy Bay/Coney Beach waterfront, and along Eastern Promenade.