



Local Plan Viability Assessment

(with CIL)

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1. Introduction

Scope

- 1.1 Eastbourne Borough Council is preparing a new Eastbourne Local Plan, which will set out the vision for the Borough to 2039. HDH Planning & Development Ltd has been appointed, as subcontractors to AECOM, to update the Council's viability evidence and produce this Local Plan Viability Assessment as required by the 2021 NPPF and other relevant guidance.
- 1.2 As part of its preparation, the new Local Plan needs to be tested to ensure the planned development is deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. This includes:
 - assessing the cumulative impact of the emerging policies, including affordable housing.
 - testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
 - considering the ability of development to accommodate developer contributions alongside other policy requirements.
- 1.3 This early viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration. The current adopted CIL Charging Schedule came into effect in April 2015. Consideration will also be given for the scope to review CIL.
- 1.4 This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.
- 1.5 A consultation process was conducted in May 2022. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were invited to comment on an early draft of this report. This report was substantially concluded in October 2022.
- 1.6 In 2018 the Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework (2018 NPPF), and published new Planning Practice Guidance (PPG). In 2019 and again in 2021, the NPPF was further updated (2021 NPPF), although these further changes did not impact directly on viability. In May 2019, the viability sections of the PPG were further updated. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated. The methodology used in this report is consistent with the 2021 NPPF, the CIL Regulations (as amended) and the updated PPG.

- 1.7 In the autumn of 2020, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below, but are not material to this report.
- 1.8 In December 2022, as this report was being finalised, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. The *Levelling-up and Regeneration Bill* includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability, and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published. It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.
- 1.9 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened.

Report Structure

- 1.10 This report follows the following format:

- Chapter 2** The reasons for, and approach to viability testing, including a review of the requirements of the NPPF, the CIL Regulations, and updated PPG.
- Chapter 3** The methodology used.
- Chapter 4** An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.
- Chapter 5** An assessment of the non-residential market.
- Chapter 6** An assessment of the costs of land to be used when assessing viability.
- Chapter 7** The cost and general development assumptions to be used in the development appraisals.
- Chapter 8** A summary of the various policy requirements and constraints that influence the type of development that come forward.
- Chapter 9** A summary of the range of modelled sites used for the financial development appraisals.
- Chapter 10** The results of the appraisals and consideration of residential development.
- Chapter 11** The results of the appraisals and consideration of non-residential development.
- Chapter 12** Conclusions in relation to the deliverability of development and the scope to review CIL.

HDH Planning & Development Ltd (HDH)

- 1.11 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:
- a. District wide and site-specific viability analysis.
 - b. Community Infrastructure Levy.
 - c. Housing Market Assessments.

- 1.12 The findings contained in this report are based upon information from various sources including that provided by the Council and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

Caveat and Material Uncertainty

- 1.13 Whilst the RICS withdrew the formal advice in relation to the uncertainty in March 2022, due to the nature of this assessment it is important to note the uncertainty in the current market. The outbreak of COVID-19 was declared by the World Health Organisation as a Global Pandemic in March 2020 and continues to impact on the global economy. Travel, movement, and operational restrictions have been implemented and remain in some countries. In some cases, lockdowns have been applied to varying degrees and to reflect further 'waves' of COVID-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.
- 1.14 At the time of this report (September 2022) property markets are functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Having said this, in respect of the development sectors, we continue to be faced with an unprecedented set of circumstances caused by COVID-19, uncertainty around world trade (including Brexit) and the ongoing war in Ukraine. Consequently, in respect of this report, the assessment of viability is less certain so a higher degree of caution should be attached to our findings than would normally be the case.
- 1.15 For the avoidance of doubt this does not mean that the report cannot be relied upon. Rather, this note has been included to ensure transparency and to provide further insight as to the market context under which the report was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of keeping the findings under review as the plan-making process continues. We recommend that the Council keeps the assessment under frequent review.

Compliance

- 1.16 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principal pieces of relevant guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).
- 1.17 *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.
- a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.
 - b. HDH is appointed by AECOM and is has followed a collaborative approach involving the LPA, developers, landowners and other interested parties.
 - c. The tender specification under which this project is undertaken is included as **Appendix 1** of this report.
 - d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.
 - e. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.
 - f. HDH confirms that a non-technical summary will be provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that this report only be published and read in full.
 - g. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project.
 - h. This assessment includes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.
 - i. The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this viability assessment was provided by the Council or its consultants. This information was not provided in a subcontractor role and, in accordance with

HDH's instructions, this information has not been challenged nor independently verified.

Metric or Imperial

1.18 The property industry uses both imperial and metric data – often working out costings in metric (£/m²) and values in imperial (£/acre and £/sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1m ²	=	10.76 sqft	1sqft	=	0.0929m ²
1ha	=	2.471acres	1acre	=	0.405ha

1.19 A useful broad rule of thumb to convert m² to sqft is simply to add a final zero.



2. Viability Testing

- 2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF) and is a requirement of the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common. Over several years in the run up to this report, various national consultations have been carried out about different aspects of the plan-making process. These have included references to, and sections on, viability, and are considered in this chapter.

National Planning Policy Framework

- 2.2 Paragraph 34 of the 2021 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the Plan.

Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.

- 2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2021 NPPF does not include detail on the viability process, rather stresses the importance of viability. The changes made in July 2021, do touch on matters where viability will be a factor:

Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.

2021 NPPF, Paragraph 22

To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.

2021 NPPF, Paragraph 96

- 2.4 The Council will need to engage with the promoters of any potential strategic sites and service and infrastructure providers in due course, as the plan-making process continues.
- 2.5 The NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the

application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

2021 NPPF Paragraph 58

2.6 Consideration has been made to the updated PPG (see below). This viability assessment will become the reference point for viability assessments submitted through the development management process in the future.

2.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF which includes an updated definition:

Deliverable: *To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*

- a) *sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
- b) *where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*

2021 NPPF Glossary

2.8 Under the heading *Identifying land for homes*, the importance of viability is highlighted:

Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:

- a) *specific, deliverable sites for years one to five of the plan period³²; and*
- b) *specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*

2021 NPPF Paragraph 68

2.9 Under the heading *Making effective use of land*, viability forms part of ensuring land is suitable for development:

Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to bring more land forward for meeting development needs and/or secure better development outcomes.

2021 NPPF Paragraph 121

- 2.10 The NPPF does not include technical guidance on undertaking viability work. This is included within the Planning Practice Guidance (PPG).

Planning Practice Guidance

- 2.11 The viability sections of the PPG (Chapter 10) were rewritten in 2018. The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology. Having said this, the underlying emphasis of viability testing has changed. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...

- 2.12 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-010-20180724 change this:

... ensure policy compliance and optimal public benefits through economic cycles...

PPG 10-009-20190509

... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

PPG 10-010-20180724

- 2.13 The purpose of viability testing is now to ensure that '*maximum benefits in the public interest*' has been secured. This is a notable change in emphasis, albeit in the wider context of striking a balance between the aspirations of developers and landowners, in terms of returns against risk.

- 2.14 The core requirement to consider viability links to paragraph 58 of the 2021 NPPF (as quoted above):

Plans should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards including the cost implications of the Community Infrastructure Levy (CIL) and planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan.

PPG 23b-005-20190315

- 2.15 This viability assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

- 2.16 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

- 2.17 The overall requirement is that:

...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106...

PPG 10-001-20190509

- 2.18 This assessment takes a proportionate approach, building on the Council's existing evidence, and considers all the local and national policies that will apply to new development.

Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan. ... Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.

PPG 10-002-20190509

- 2.19 The policies in the emerging plan are tested individually and cumulatively, to ensure that they are set at a realistic level.

It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.

PPG 10-002-20190509

- 2.20 Consultation forms part of this assessment.

Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.

PPG 10-002-20190509

- 2.21 A range of levels of policy requirements have been tested against a range of levels of developer contributions (including CIL).

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.

PPG 10-002-20190509

- 2.22 Consultation forms part of this study. At this stage, the Council are considering allocating new strategic sites and in due course, the Council will engage with the promoters of the selected strategic sites.

- 2.23 The modelling in this assessment is based on the long list of sites that are being considered for allocation or are likely to come forward over the plan-period. This may be subject to further change so, in due course, it may be necessary to revisit this when the actual preferred allocations have been selected. The purpose of this viability assessment is to ensure the deliverability of the overall plan.

Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.

PPG 10-003-20180724

- 2.24 This study is based on typologies¹ that have been developed by having regard to the potential development sites that are most likely to be identified through the emerging plan. In addition, any emerging potential strategic sites will be tested individually, , so as to inform a decision as to whether or not they are to be included in the plan. In due course it may be necessary to work further with site promoters in relation to these.

Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.

PPG 10-004-20190509

- 2.25 This study draws on a wide range of data sources, including those collected through the development management process.

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.

PPG 10-005-20180724

¹ The PPG provides further detail at 10-004-20190509:

A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.

In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.

- 2.26 For the purpose of this viability assessment, strategic sites are those being considered for allocation, and if they were allocated would be considered key sites on which the delivery of the plan may rely. If the Council selects strategic sites, it will be necessary for them to be tested.

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

PPG 10-006-20190509

- 2.27 Consultation has formed part of the preparation of this assessment. It specifically considers the total cumulative cost of all relevant policies (local and national).

Section 2 - Viability and decision taking

- 2.28 It is beyond the scope of this assessment to consider viability in decision making. This study will form the starting point for future development management consideration of viability.

Section 3 - Standardised inputs to viability assessment

- 2.29 The general principles of viability testing are set out under paragraph 10-010-20180724 of the PPG.

Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. ...

... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.

In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.

PPG 10-010-20180724

- 2.30 This report sets out the approach, methodology and assumptions used. These have been subject to consultation and have drawn on a range of data sources. Ultimately, the Council

will use this report to judge the appropriateness of the new policies in the emerging Local Plan and the deliverability of the allocations.

Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

PPG 10-011-20180724

2.31 The residential values have been established using data from the Land Registry and other sources. These have been averaged as suggested. Non-residential values have been derived though consideration of capitalised rents as well as sales.

2.32 PPG paragraph 10-012-20180724 lists a range of costs to be taken into account.

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

2.33 All these costs are taken into account.

2.34 The PPG then sets out how land values should be considered, confirming the use of the Existing Use Value Plus (EUV+) approach.

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy

requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

PPG 10-013-20190509

2.35 The PPG goes on to set out:

Benchmark land value should:

- be based upon existing use value*
- allow for a premium to landowners (including equity resulting from those building their own homes)*
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

PPG 10-014-20190509

2.36 The approach adopted in this study is to start with the EUV. The 'plus' element is informed by the price paid for policy compliant schemes to ensure an appropriate landowners' premium.

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

PPG 10-015-20190509

2.37 This report has applied this methodology to establish the EUV.

2.38 The PPG sets out an approach to the developers' return:

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

PPG 10-018-20190509

2.39 As set out in Chapter 7 below, this approach is followed.

Section 4 - Accountability

2.40 This section of the PPG sets out requirements on reporting. These are covered, by the Council, outside this report.

2.41 In line with paragraph 10-020-20180724 of the PPG that says that '*practitioners should ensure that the findings of a viability assessment are presented clearly. An executive summary should be used to set out key findings of a viability assessment in a clear way*'. Chapter 12 of this report is written as a standalone non-technical summary that brings the evidence together.

Community Infrastructure Levy Regulations and Guidance

2.42 The Council has adopted CIL, and this study includes consideration as to whether or not there is scope to formally review CIL. In any event, the CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking any plan-wide viability assessment and considering the deliverability of development.

2.43 The CIL Regulations came into effect in April 2010 and have been subject to subsequent amendment². CIL Regulation 14 (as amended) sets out the core principle for setting CIL.

² **SI 2010 No. 948.** The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987.** The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918.** The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975.** The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385.** The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **SI 2015 No. 836.** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015.* **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy

Setting rates

- (1) *In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
 - (a) *the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
 - (b) *the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
- (2) *In setting rates ...*

2.44 Viability testing in the context of CIL is to assess the ‘effects’ on development. Ultimately the test that will be applied to CIL is as set out in the examination section of the PPG. On preparing the evidence base on economic viability, the Guidance says:

A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their viability assessment. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority’s area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.

PPG 25-019-20190901

2.45 This assessment has drawn on the existing available evidence. In due course, it will form one part of the evidence that Eastbourne Borough Council will use if a decision is made to formally review CIL. The Council would also need to consider other ‘existing available evidence’, the comments of stakeholders and wider priorities.

2.46 From April 2015, councils were restricted in pooling S106 contributions from more than five developments³ (where the obligation in the s106 agreement / undertaking is a reason for granting consent). The CIL Regulations were amended from September 2019 lifting these

(Amendment) Regulations 2018. Made 8th February 2018. Coming into force in accordance with regulation 1. **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 Made 9th July 2019. Coming into Force 1st September 2019. **SI 2020 No. 781** The Community Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020. Made 21st July 2020, Coming into force 22nd July 2020. **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made 5th November 2020. Coming into force 16th November 2020.

³ CIL Regulations 123(3)

restrictions, however payments requested under the s106 regime must still be (as set out in CIL Regulation 122):

- a. necessary to make the development acceptable in planning terms;
- b. directly related to the development; and
- c. fairly and reasonably related in scale and kind to the development.

2.47 CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including affordable housing) which can be negotiated on a site-by-site basis (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites.

Wider Changes Impacting on Viability

2.48 There have been a number of changes at a national level since the Council's existing viability work.

Affordable Housing Thresholds

2.49 Paragraph 64 of the 2021 NPPF now sets out national thresholds for the provision of affordable housing:

Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.

2.50 In this context, major development is as set out in the Glossary to the 2021 NPPF:

Major development: *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m² or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.51 None of the Borough is within a Designated Rural Area, so a threshold of 10 units is assumed to apply.

Affordable Home Ownership

2.52 The 2021 NPPF (paragraph 65) sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home

ownership⁴, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:

- a) provides solely for Build to Rent homes;
- b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);
- c) is proposed to be developed by people who wish to build or commission their own homes; or
- d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.

Paragraph 65, 2021 NPPF

2.53 The flexibility around tenure split has been reduced with the Government's consultation⁵ in January 2021. Amongst other things this clarified that the 10% relates to all the homes on a site. This is assumed to apply.

First Homes

2.54 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

What is a First Home?

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a. *must be discounted by a minimum of 30% against the market value;*
- b. *are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c. *on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d. *after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

PPG: 70-001-21210524

2.55 This is assumed to apply.

⁴ Footnote 29 of the 2018 NPPF clarifies as 'As part of the overall affordable housing contribution from the site'.

⁵ 29th January 2021. [NPPF draft for consultation \(publishing.service.gov.uk\)](https://www.gov.uk/government/consultations/nppf-draft-for-consultation)

Accessible and Adaptable Standards

- 2.56 In July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes⁶ saying:

73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.

- 2.57 The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced. This is considered in Chapter 8 below.

Environmental Standards

- 2.58 Early in October 2019, the Government launched a consultation on ‘The Future Homes Standard’⁷. This is linked to achieving the ‘net zero’ greenhouse gas emissions by 2050. The outcome of the consultation was announced during January 2021⁸. The Council is exploring options in this regard, including going further than the minimum standards sought under Building Regulations. This is considered in Chapter 8 below and a range of options are tested.

- 2.59 In November 2021 the Government announced that from 2023 all new homes would be required to include an Electric Vehicle Charging Point.

Biodiversity

- 2.60 The Environment Act received Royal Assent in November 2021 and mandates that new developments must deliver an overall increase in biodiversity. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

⁶ [Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes)

⁷ [https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate](https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings)

⁸ [The Future Buildings Standard - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/the-future-buildings-standard)

- 2.61 Green improvements on-site are preferred (and expected), but in the circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. This requirement is considered in Chapter 8 below.

White Paper: Planning for the Future (MHCLG, August 2020)

- 2.62 The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability the two key paragraphs are:

Assessments of housing need, viability and environmental impacts are too complex and opaque: *Land supply decisions are based on projections of household and business ‘need’ typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environmental improvements nor ensure sites are brought forward and delivered;*

Local Plans should be subject to a single statutory “sustainable development” test, *and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

- 2.63 Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposals are:

Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.

Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision

- 2.64 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report (May 2022) a viability assessment is a requirement.

NPPF and National Model Design Code: consultation proposals

- 2.65 The Government announced a further consultation in January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation proposals*⁹. The 2021 NPPF took this forward, saying:

128. *To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design.*

⁹ [National Planning Policy Framework and National Model Design Code: consultation proposals - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/national-planning-policy-framework-and-national-model-design-code-consultation-proposals)

Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.

129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.

- 2.66 The National Design Code does not add to the cost of development in itself. Rather it sets out good practice in a consistent format. It will provide a checklist of design principles to consider for new schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.

Queen's Speech 2021 and 2022

- 2.67 A range of planning reforms were outlined in the papers supporting the 2021 Queen's Speech. For the purpose of this assessment, the key points are as follows:

Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward..."

The purpose of the Bill is to:

- *Create a simpler, faster and more modern planning system to replace the current one ...*
- *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*

The main benefits of the Bill would be:

- *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*

The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.

- 2.68 In the late summer of 2021, as part of the Government reshuffle, the Ministry of Housing Communities and Local Government was renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that Housebuilding remains a priority, no further detail have been released. The Council will need to keep this under review.

- 2.69 The Government's further thinking was set out in the 2022 Queen's Speech which included the following:

“A bill will be brought forward to drive local growth, empowering local leaders to regenerate their areas, and ensuring everyone can share in the United Kingdom’s success. The planning system will be reformed to give residents more involvement in local development.”

The main benefits of the Bill would be:

- *Laying the foundations for all of England to have the opportunity to benefit from a devolution deal by 2030 – giving local leaders the powers they need to drive real improvement in their communities.*
- *Improving outcomes for our natural environment by introducing a new approach to environmental assessment in our planning system. This benefit of Brexit will mean the environment is further prioritised in planning decisions.*
- *Capturing more of the financial value created by development with a locally set, non-negotiable levy to deliver the infrastructure that communities need, such as housing, schools, GPs and new roads.*
- *Simplifying and standardising the process for local plans so that they are produced more quickly and are easier for communities to influence.*

Levelling-up and Regeneration Bill

2.70 In December 2022, as this report was being finalised, the Government published a draft updated NPPF and amendments to be made to the *Levelling-up and Regeneration Bill*. Whilst these changes will have a significant impact on the overall plan-making process, they do not alter the place of viability in the current Local Plan process. The *Levelling-up and Regeneration Bill* includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* have yet to be published.

2.71 It will be necessary for the Council to monitor the progress of the Bill and in due course review this report, as and when the Regulations are published.

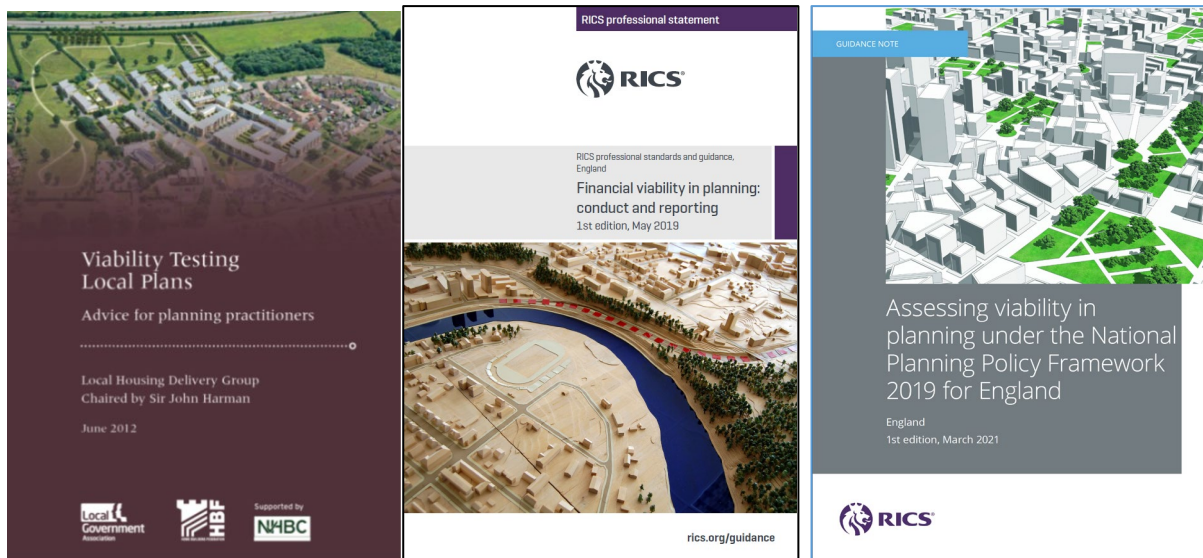
Viability Guidance

2.72 There is no specific technical guidance on how to test viability in the NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions¹⁰ that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012¹¹ (known as the **Harman Guidance**).

¹⁰ Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve: APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

¹¹ Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

- 2.73 The planning appeal decisions and the HCA good practice publication¹² suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities that supports this approach.



- 2.74 As set out at the start of this report, there are two principal pieces of relevant RICS guidance being the *Financial viability in planning: conduct and reporting RICS professional statement, England* (1st Edition, May 2019) and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021).
- 2.75 Neither of these specify a step-by-step approach, rather they make reference to the NPPF and provide interpretation on implementation.
- 2.76 In line with the updated PPG, this assessment follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning consent. This approach is in line with that recommended in the Harman Guidance.
- 2.77 In September 2019, the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the

¹² *Good Practice Guide*. Homes and Communities Agency (July 2009).

Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect *'the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'* as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

3. Methodology

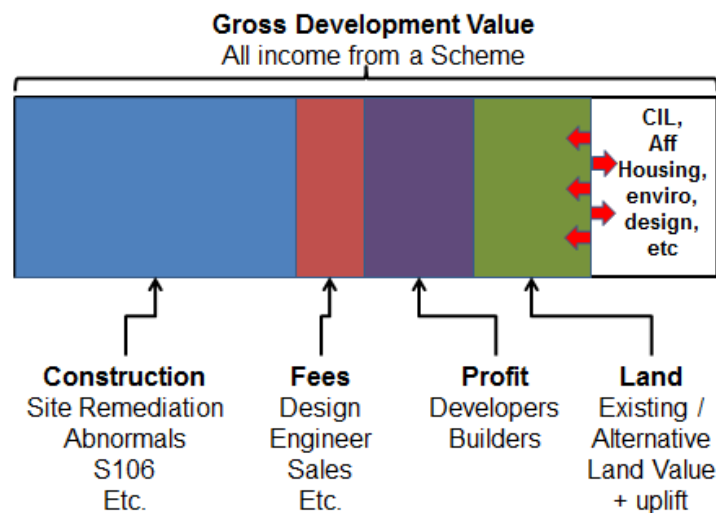
Viability Testing – Outline Methodology

3.1 This report follows the Harman Guidance and was put to public consultation in May 2022. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

$$\begin{aligned}
 &\textbf{Gross Development Value} \\
 &\text{(The combined value of the complete development)} \\
 &\text{LESS} \\
 &\textbf{Cost of creating the asset, including a profit margin} \\
 &\text{(Construction + fees + finance charges)} \\
 &= \\
 &\textbf{RESIDUAL VALUE}
 \end{aligned}$$

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority). Beyond the economies of scale that larger developers can often enjoy, the developer has relatively little control over the costs of development, and whilst there is scope to build to different standards the costs are largely out of the developer’s direct control – they are what they are.



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of the Council’s policies (including CIL), to assess



the effect of these, and then make a judgement as to whether or not land prices are reduced to such an extent that the Plan is not deliverable. It is necessary to take a cautious approach and ensure that policies are not set at the limits of viability.

- 3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the EUV which would make the landowner sell.
- 3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2021 NPPF (and CIL Regulations). The approach taken in this report is different from the approach taken by developers when making an assessment to inform commercial decision making, particularly on the largest sites to be delivered over many years.

Limitations of viability testing in the context of the NPPF

- 3.7 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, a community may extend a village hall even though the value of the facility, in financial terms, is not significantly enhanced, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.
- 3.8 This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.

The meaning of Landowner Premium

The phrase landowner premium is new in the updated PPG. Benchmark land value should:

- be based upon existing use value*
- allow for a premium to landowners (including equity resulting from those building their own homes)*
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

PPG 10-014-20190509

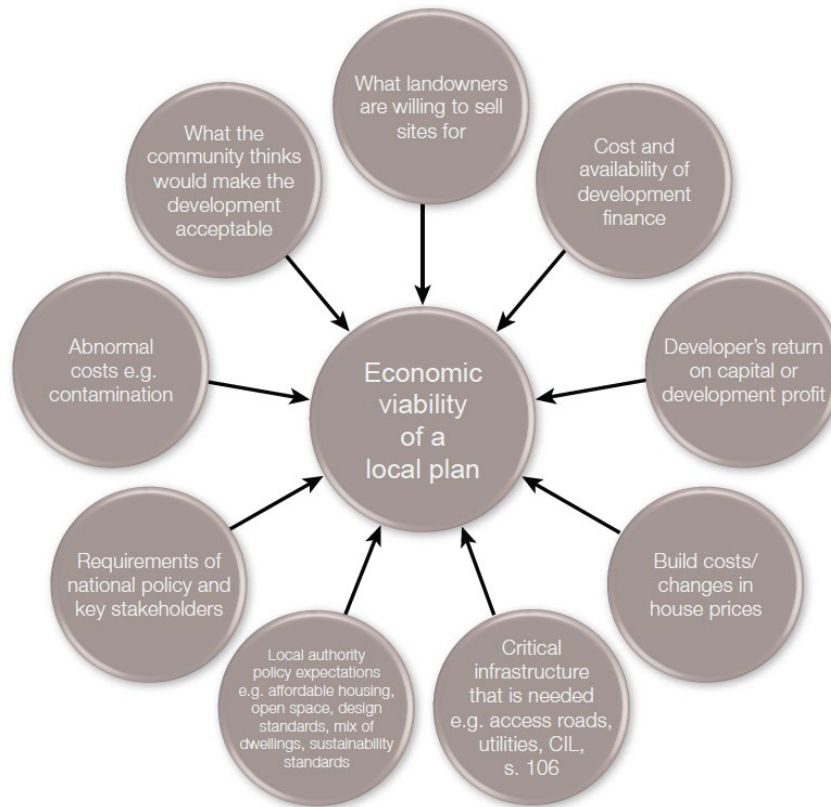
- 3.9 The term *landowner's premium* has not been defined through the appeal, Local Plan examination or legal processes. *Competitive return* was considered at the Shinfield Appeal (January 2013)¹³ and the case is sometimes held up as a firm precedent, however, as confirmed in the Oxenholme Road Appeal (October 2013)¹⁴, the methodology set out in Shinfield is site specific and should only be given limited weight. Further clarification was provided in the Territorial Army Centre, Parkhurst Road, Islington appeal (June 2017)¹⁵, which has subsequently been confirmed by the High Court¹⁶. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.
- 3.10 This report is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.

¹³ APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

¹⁴ APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

¹⁵ APP/V5570/W/16/3151698 (Former Territorial Army Centre, Parkhurst Road, Islington, London, N7 0LP)

¹⁶ Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington [2018] EWHC 991 (Admin)



Existing Available Evidence

- 3.11 The 2021 NPPF, the PPG, the CIL Regulations and CIL Guidance (within the PPG) are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from the Council has been reviewed.
- a. In this case the principal study is the *CIL Review Valuation Study (Draft)* (HEB, July 2018).
 - b. In addition, the Council commissioned the *Eastbourne Viability Report* (Cushman & Wakefield, June 2016). This only concerned office development in the town, however is a useful reference.
- 3.12 The Council also holds development appraisals that have been submitted by developers in connection with specific developments to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it. In some cases, the appraisals are based on detailed cost plans that are not directly comparable with the BCIS. Only the figures that are comparable on a like for like basis are presented

Table 3.1 Review of Development Management Viability Appraisals								
	Jun-17	Oct-18		Feb-20	Mar-20			Jul-21
	For Developer	For Developer	For Developer	For Council	For Developer	For Council	For Developer	For Council
Houses							16	49
Flats	47	17	11					
Retirement	47							
Site (ha)	0.25				0.27		1.11	
GIA (m2)	2647	1209	1229		1249		3,653 (net)	
Value (£/m2)	£4,742	£5,667 to £6,689	£3,592	£3,414 to £4,037	£3,218	£3,405	£3,391 to £3,576	Agreed
	+ Ground rent 5.5%			+ Ground rent 3.5%				
Affordable Rent		5% Yield - Gross				50%		
Intermedite		71% OMV				65% OMV		
Build out	1.4/month							
Construction	BCIS Median	BCIS Upper Q	£1,481	BCIS Median	£1,301	Agreed	BCIS Median	BCIS Median
Site works	5%	10%	4.99%					
Abnormals	685490	45000	40000	40000				
£/unit	14584.89362	2647.058824						
Other	Empty Property							
Fees	10%	8%	10.00%	10%	10%	Agreed	10%	Agreed
Sales	£600/unit	£1,200/flat						
Agents	5%	1.5% + 0.5%	2%	2% + £850	3.5% + £750	2% + £1,000	3.5% + £750	Agreed
Acquisition	0.75%, 1%	1% + 0.8%		1% + 0.5%	1% + 0.75%		1% + 0.75%	
CIL	Yes			Yes	Yes	Yes		
s106	0	£882/unit						
Finance	6.5% + fees	6.75%	6%	6%	6.50%	Agreed	6.50%	Agreed
Contingency	5%	5%	3%	3%	5%	Agreed	5%	Agreed
Dev Return	20%	20%, 6%	15%	15%	17.5%, 6%	Agreed	17.50%	
Land Value	£950,000		£750,000					£309,000/ha
EUV		Residentail		£682,500		£150,000		
BLV	£950,000	EUV + 15%		EUV + £10%	£1			

Source: Review of appraisals submitted through Development Management.

3.13 It is important to note that some of these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.

- 3.14 The Council also holds evidence of what is being collected from developers under the s106 regime. This is being collected by the Council outside this study¹⁷.

Stakeholder Engagement

- 3.15 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation process was conducted during May 2022 when a presentation was given, and an early draft of this report and a questionnaire were circulated. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited to comment **Appendix 2** includes a list of the consultees. **Appendix 3** includes the consultation presentation and **Appendix 4** the questionnaire circulated with the draft report. **Appendix 5** includes the notes taken at the consultation event.
- 3.16 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate. 20 people attended the presentation and 4 written responses were received. The main points from the consultation were:
- a. That the general approach was appropriate for a study of this type.
 - b. That the costs of construction are increasing and this needs to be reflected in the study, and that the BCIS costs may understate the costs of construction. Due to the size of sites there is little scope for economies of scale to be achieved.
 - c. That the proposed levels of developer's return is not sufficient.
- 3.17 The consultation process is being carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

Viability Process

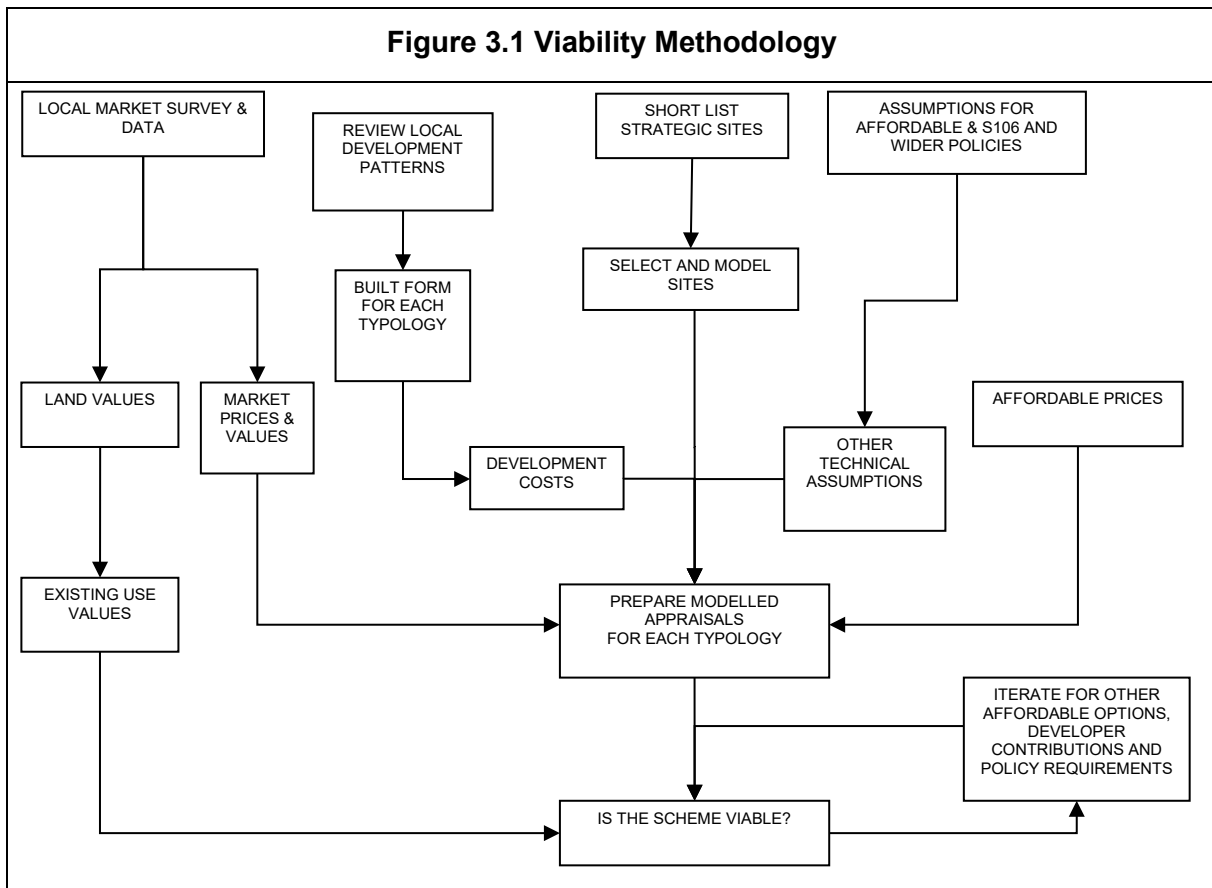
- 3.18 The assessment of viability as required under the 2021 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

¹⁷ Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

How should monitoring and reporting inform plan reviews?

The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.

3.19 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of typologies, and the strategic sites, and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9 below. This process ensures that the appraisals are representative of typical development in the Council area over the plan-period.



3.20 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Local development patterns were considered, to arrive at appropriate built form assumptions. These in turn informed the appropriate build cost figures. Several other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha ‘residual’ land values, showing the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value was compared to the EUV for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners’ Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject, it is discussed, and the approach taken in this study is set out, in the later parts of Chapter 6 below.

3.21 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The preparation of draft policies within the Local Plan Review is still ongoing, so the policy topics used in this assessment may be subject to change. For appropriate sensitivity

testing, a range of options are tested. If the Council allocates different types of site, or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of any further or different requirements.

- 3.22 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing is used, as required by the 2021 NPPF and CIL Regulations¹⁸. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality, and to provide high level advice to assist the Borough Council in assessing the deliverability of the Local Plan and to assist the Council in considering CIL.

¹⁸ This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England. The model includes a cashflow so that sales rates can be reflected.

4. Residential Market

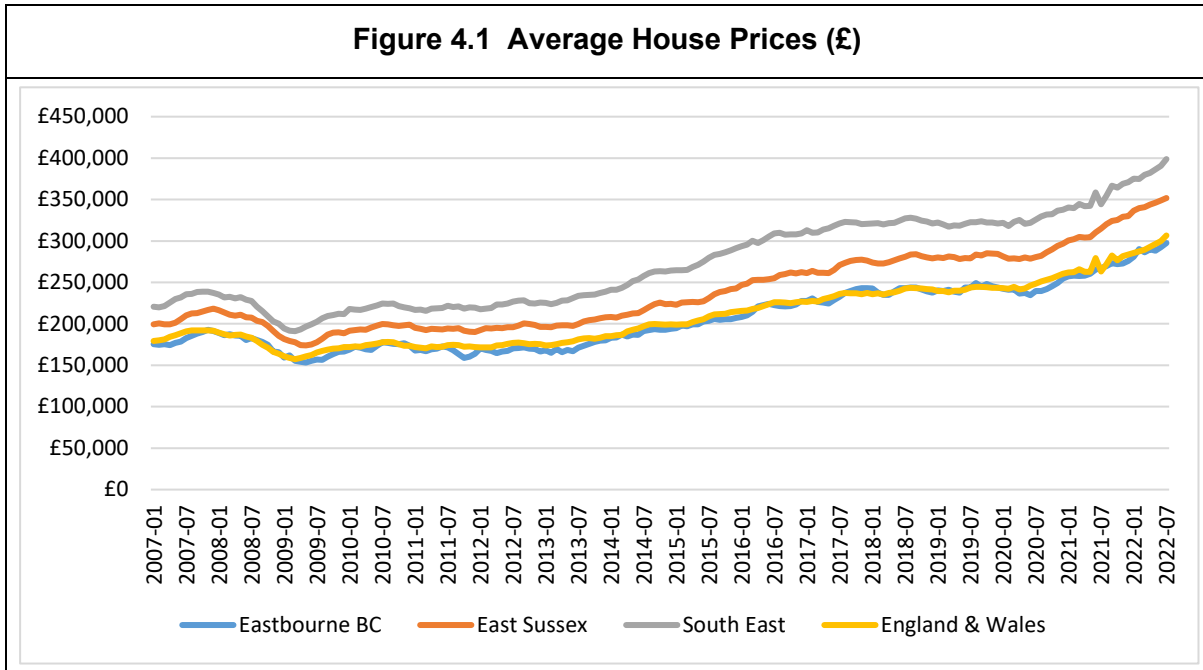
- 4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices. The study is concerned not just with the prices but the differences across different areas. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within a town there will be particular localities, and ultimately, site-specific factors, that generate different values.

The Residential Market

- 4.2 The housing market across the Eastbourne Borough area reflects national trends, but there are local factors that underpin the market including:
- a. Eastbourne is a busy seaside town in the South Coast. The west of the Borough is within the part of the South Downs National Park, so the EBC planning area is relatively tightly drawn around the built-up area.
 - b. Much of the current town was developed in the mid-19th century following the completion of the London to Brighton railway and the arrival of south coast line. Direct trains continue to run half hourly to London, typically taking about 1.5 hours.
 - c. Like many seaside towns, the existing housing stock is mixed, with some relatively poor quality, with some areas having a relatively high proportion of sub-divided Victorian houses.
 - d. The town has reasonably good access to the highway network with the A22 running to the north, ultimately linking to the motorway network at Crawley. The A27 runs east west, along the coast, however this can be slow at peak times.
- 4.3 Overall, the market is perceived to be active, with a strong market for the right scheme in the right place. Having said this, some areas remain challenging, the relatively low house prices in some areas do make the delivery of new housing less easy.

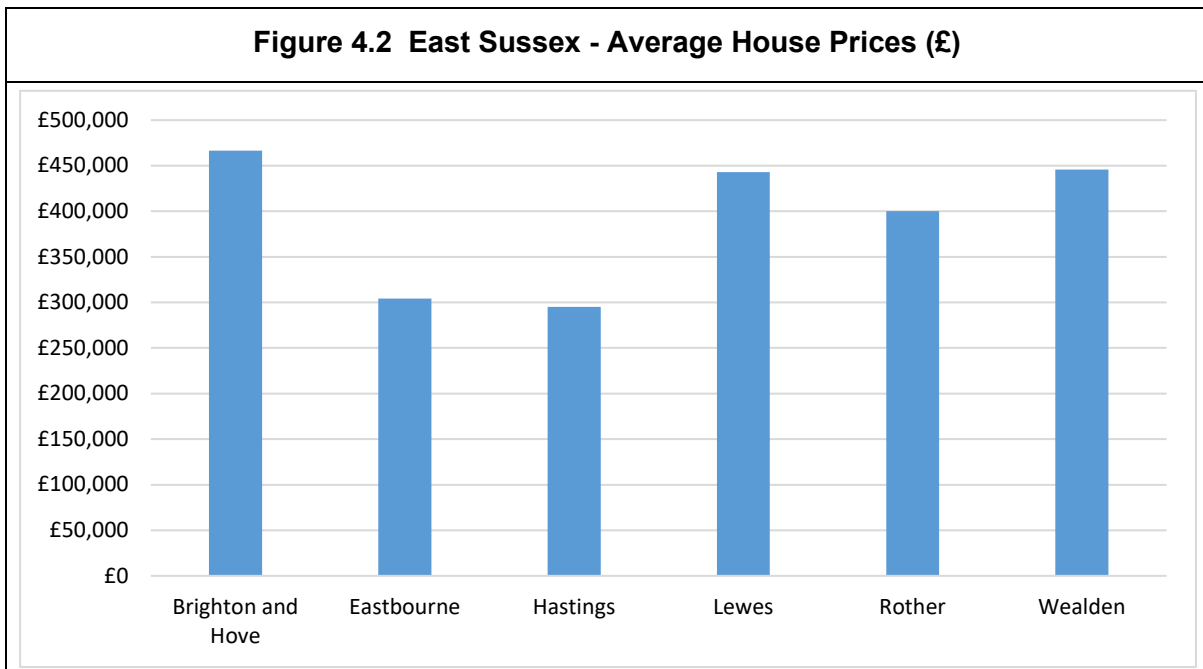
National Trends and the relationship with the wider area

- 4.4 The housing market peaked early in November 2007 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peaked and may be falling. Locally, average house prices in the area did not recover to their pre-recession peak until August 2014 but are now about 54% above the 2007 peak. These increases are substantial but are less than those seen across the South East (excluding London) (67%) over the same period. Across England and Wales, average house prices have increased by 60%.



Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

- 4.5 The average for the Country as a whole is skewed by the very high values in London. The average prices in Eastbourne are similar to Hastings, but are significantly less than those in the rest of the County.



Source: Mean house prices for administrative geographies: HPSSA dataset 12 (Release 14th September 2022). Contains public sector information licensed under the Open Government Licence v3.0

- 4.6 The rise in house prices over the last 12 or so years has, at least in part, been enabled by the historically low mortgage rates offered to home buyers. In addition, the housing market is to be actively supported by the Government through products and initiatives such as Help-to-

Buy. A Stamp Duty 'holiday' was introduced to support prices during the COVID-19 pandemic, although this was phased out between July and October 2021. Stamp duty rates were again reduced for properties at the lower end of the market and for first time buyers in the September 2022 'mini-budget'.

- 4.7 There is a degree of uncertainty in the housing market as reported by the RICS. The August 2022 RICS UK Residential Market Survey¹⁹ said:

Buyer enquiries and sales continue to fall but prices remain underpinned at this stage

- *Downward trend in new buyer enquires and sales appears to gather momentum*
- *New instructions still falling, with supply on the market remaining restricted*
- *House prices continue to edge higher for now although the pace of growth is easing noticeably across the country*

The August 2022 RICS UK Residential Survey results point to the recent downward trend in market activity becoming further entrenched, with enquires, sales and new instructions all falling at a faster pace (in net balance terms) than last month. Respondents continue to attribute this to the deteriorating macro-economic backdrop, amid the cost-of-living crisis, alongside higher borrowing costs.

Starting with demand, the aggregate net balance for new buyer enquiries slipped to a reading of -39% in August. This is down relatively sharply from a figure of -26% beforehand and represents the weakest return for the survey's demand metric since April 2020. Moreover, most regions/countries of the UK are seeing buyer demand fall back to some extent. That said, enquiries were somewhat more resilient in London over the month, holding broadly steady.

Meanwhile, the flow of new instructions to sell remains very much in decline, evidenced by a net balance of -15% respondents nationally citing a decline in fresh listings during August (compared to -6% previously). As a result, average inventory levels on estate agent's books sunk to a fresh all-time low of just 34 homes over the latest survey period. Looking ahead, contributors continue to note that the current level of market appraisals being undertaken is similar to that seen twelve months ago, suggesting the tight supply backdrop is unlikely to change dramatically in the near future.

With respect to agreed sales, a net balance reading of -22% was posted in August, representing a further softening from a figure of -13% seen in each of the previous two reports. As such, sales have now fallen for five consecutive months, with the latest feedback implying this downward trend is gathering pace. Going forward, near-term sales expectations remain stuck in negative territory, at -26%. Over the next twelve- months, a national net balance of -45% of respondents foresee sales slipping, marking the poorest return for this series since its formation in 2012.

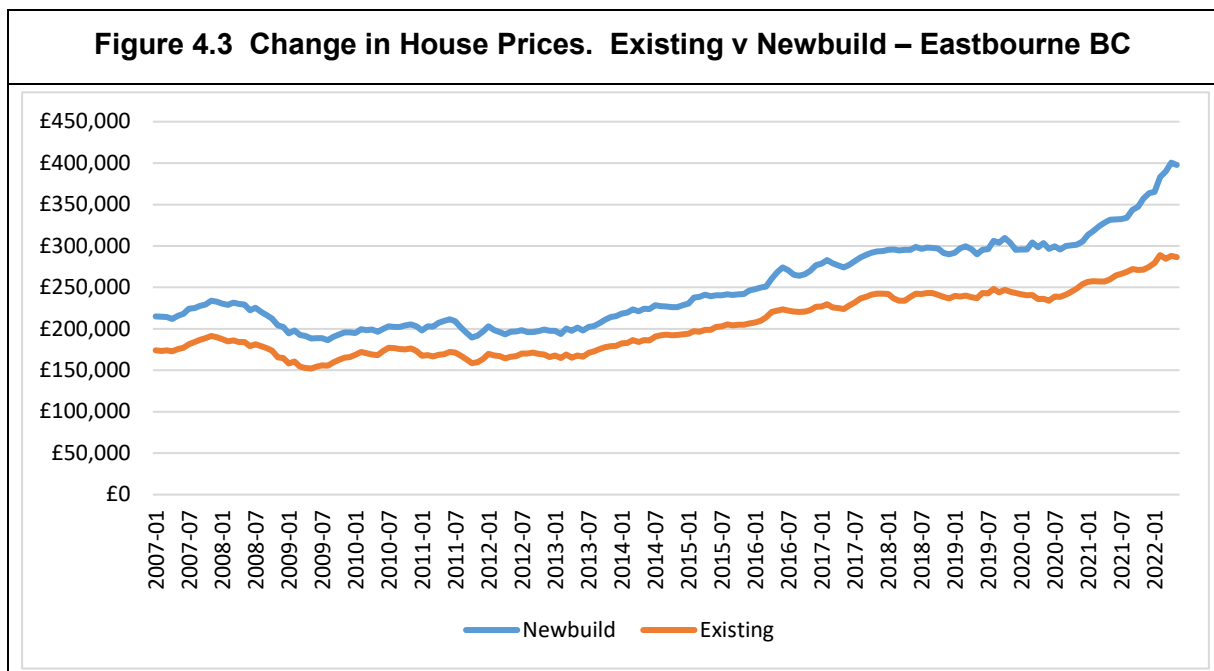
Despite the weakening sales backdrop, a headline net balance of +53% of survey participants continued to report an increase in house prices over August. Even so, price growth (in net balance terms) has now moderated to some degree in four successive months, following a recent high of +78% recorded back in April this year. Nevertheless, the latest feedback remains consistent with a still reasonably solid degree of upward movement in house prices for the time being. When disaggregated, respondents across Northern Ireland, the North West, London and East Anglia in particular all continue to highlight relatively firm house price growth at this stage.

As to the future, price expectations for the next twelve months returned a net balance of just +3% in August, down from a reading of +30% last time. Consequently, this is now indicative of

¹⁹ <https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/>

a more or less flat projection for national house prices over the twelve-month time horizon. Indeed, this corroborates with members' point estimate twelve-month forecast, which suggests house prices will rise by just a 0.2% over the year to come.

- 4.8 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Eastbourne is 170th (out of 331) at £304,184²⁰. To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £309,544. The Eastbourne median price is lower than the average at £272,000²¹.
- 4.9 This study concerns new homes. The figure above shows that prices in the Council area have seen a significant recovery since the bottom of the market in 2009. Newbuild homes have increased more quickly than existing homes.



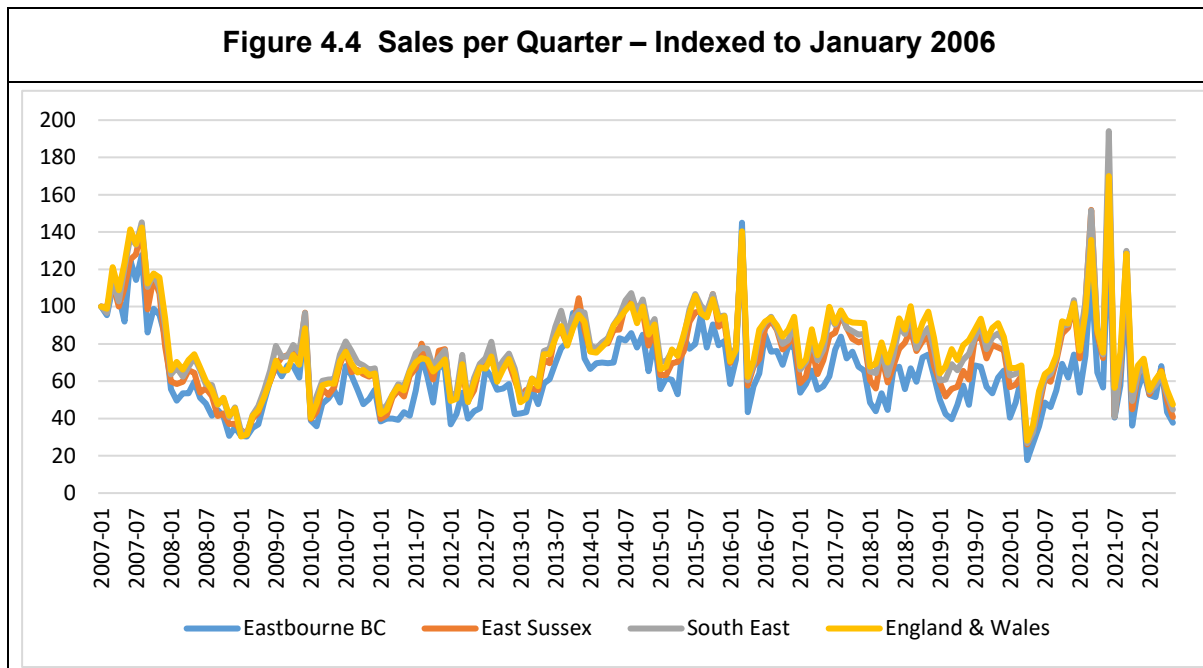
Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

- 4.10 The Land Registry shows that the average price paid for newbuild homes in Eastbourne (£397,797) is £111,482 (or 39%) more than the average price paid for existing homes (£286,315). This situation is usual as typically newbuild homes are between 20% and 40% more expensive than average existing homes.

²⁰ Mean house prices for administrative geographies: HPSSA dataset 12 (Release 14th September 2022).

²¹ Median house prices for administrative geographies: HPSSA dataset 9 (Release 14th September 2022)

- 4.11 The rate of sales (i.e. sales per month) in the area is a little greater than the wider country, suggesting that the local market is an active market. At the time of this report, the most recent data published by the Land Registry is that for December 2021.



Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

- 4.12 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty.
- 4.13 A further uncertainty is around the ongoing coronavirus pandemic. There are uncertainties around the values of property that are a direct result of the COVID-19 pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect may last. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus have found their ability to secure a loan restricted.
- 4.14 A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 4.1 Consolidated House Price Forecasts

Table 2 - 2022: Growth in prices and monetary indicators (% change)									
Forecasters and dates of forecasts		CPI (Q4 on Q4, year ago, %)	RPI (Q4 on Q4, year ago, %)	Average earnings	Sterling index (Jan 2005=100)	Official Bank rate (level in Q4, %)	Oil price (Brent, \$/bbl)	Nominal GDP	House price inflation (Q4 on Q4 year ago, %)
City forecasters									
Bank of America - Merrill Lynch	Oct'21	3.1	3.9	-	-	0.25	-	-	-
Barclays Capital	Nov *	9.6	13.3	-	-	3.50	100.0	-	-
Bloomberg Economics	Nov *	10.3	-	-	-	3.50	-	-	-
Capital Economics	Nov *	10.5	13.3	5.8	72.4	3.75	100.0	9.0	6.8
Citigroup	Feb	5.0	5.8	4.4	-	1.00	-	-	5.6
Credit Suisse	Jul	9.5	-	-	-	2.25	-	-	-
Daiwa Capital Markets	Feb	4.6	-	4.0	85.0	1.25	85.0	-	5.0
Deutsche Bank	Aug	12.4	15.4	-	-	2.50	-	-	-
Goldman Sachs	Oct	10.8	-	-	-	4.25	104.3	-	-
HSBC	Jun	9.3	11.5	4.5	-	1.50	-	-	-
JP Morgan	Nov *	10.2	-	-	-	3.50	-	-	-
Morgan Stanley	Nov *	10.6	13.4	-	-	3.50	-	-	-
Natwest Markets	Nov *	10.5	13.3	6.0	-	3.75	97.0	-	-
Nomura	Nov *	10.4	-	-	-	3.75	-	-	-
Pantheon	Aug	12.6	15.3	5.0	-	2.25	-	-	4.2
Schroders Investment Management	Dec'21	1.6	3.5	3.5	-	0.50	-	9.2	2.2 x
Societe Generale	Aug	10.8	13.8	6.0	-	2.50	-	11.8	-
UBS	Nov *	10.0	12.5	5.3	-	3.75	101.9	9.8	-
Non-City forecasters									
British Chambers of Commerce	Sep	14.0	-	5.2	-	2.00	-	-	-
Beacon Economic Forecasting	Nov *	9.8	11.3	6.1	76.9	3.00	99.8	11.8	13.3
CBI	Aug	8.3	8.7	5.5	83.6	1.75	100.8	9.1	9.2
CEBR	Nov *	11.2	11.6	5.9	75.9	3.00	-	-	6.9
Economic Perspectives	Nov *	10.3	11.6	7.0	79.6	3.50	100.0	10.1	9.1 x
Experian Economics	May	9.0	11.0	5.0	87.8	1.25	108.0	3.1	2.2
EIU	Jul	7.8	-	-	-	2.00	-	-	-
Heteronomics	Nov *	10.8	13.9	6.7	77.1	3.50	101.0	-	8.4
ICAEW	Oct	9.8	-	-	-	3.50	-	-	-
ITEM Club	Nov *	10.3	14.5	5.4	75.7	3.10	-	9.6	7.6 z
Kern Consulting	Oct	10.5	-	6.0	-	2.75	95.0	-	-
Liverpool Macro Research	Nov *	10.1	13.1	5.8	78.8	3.00	-	-	k
NIESR	Aug	10.8	17.7	6.1	-	2.36	-	-	6.2
Oxford Economics	Nov *	10.7	13.3	5.9	77.5	3.50	102.6	8.9	9.0 k
OECD	Aug	8.8	h	-	-	-	-	-	-
IMF	Oct	11.3	-	-	-	-	-	-	-
Average of forecasts made in the last 3 months (excludes OBR forecasts)									
Independent		10.5	12.9	5.9	76.7	3.4	100.1	9.9	8.7
New (marked *)		10.4	12.9	6.0	76.7	3.4	100.3	9.9	8.7
City		10.3	13.1	5.7	72.4	3.7	100.6	9.4	6.8
Range of forecasts made in the last 3 months (excludes OBR forecasts)									
Highest		14.0	14.5	7.0	79.6	4.3	104.3	11.8	13.3
Lowest		9.6	11.3	5.2	72.4	2.0	95.0	8.9	6.8
Median		10.4	13.3	5.9	77.0	3.5	100.0	9.7	8.4
OBR	Mar	8.7	11.0	5.3	82.5	1.1	94.0	6.7	4.3

Source: *Forecasts for the UK economy: a comparison of independent forecasts No422*(HM Treasury, November 2022).

4.15 Property agents Savills are forecasting the following changes in house prices.

	2022	2023	2024	2025	2026	5 Year
Mainstream UK	7.5%	-1.0%	3.0%	3.5%	3.5%	17.4%
South East	6.0%	-0.5%	2.5%	3.0%	3.0%	13.5%
Outer Prime London	5.0%	3.0%	1.0%	2.0%	2.0%	13.6%

Source: Savills Mainstream House Price Forecasts (July 2022)²² and Savills Spotlight: Prime Residential Property Forecasts²³

4.16 In this context it is relevant to note that the Nationwide Building Society reported in September 2022:





Annual house price growth slows to single digits in September

- Modest slowing in annual UK house price growth to 9.5% in September, from 10% in August
- 10 of the UK's 13 regions recorded slower annual price growth in the third quarter of the year
- South West was the strongest performing region once again, while London remained weakest

Headlines	Sep-22	Aug-22
Monthly Index*	542.7	542.7
Monthly Change*	0.0%	0.7%
Annual Change	9.5%	10.0%
Average Price (not seasonally adjusted)	£272,259	£273,751

* Seasonally adjusted figure (note that monthly % changes are revised when seasonal adjustment factors are re-estimated)

4.17 Similarly, the Halifax Building Society reported in September 2022:

			
Average house price	Monthly change	Quarterly change	Annual change
£293,835	-0.1%	+1.3%	+9.9%

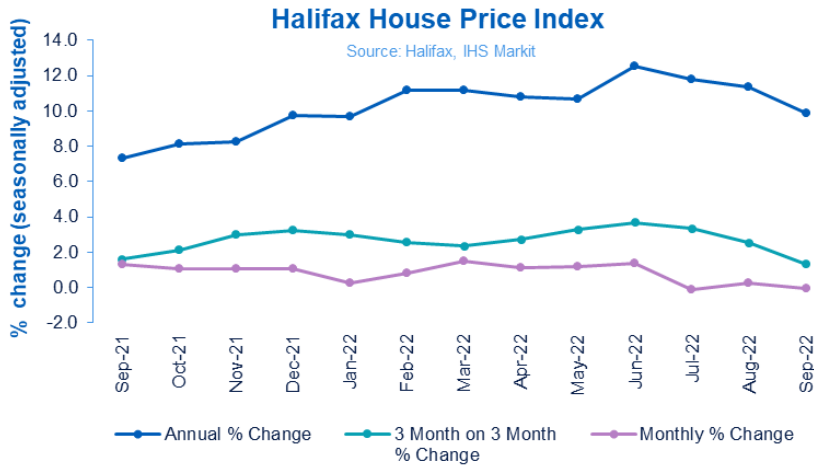
House prices fall slightly as market shows further signs of slowing

- House prices decreased marginally (-0.1%) in September (vs. +0.3% in August)
- Annual rate of growth fell further to +9.9% (from +11.4%)

²² [UK-Mainstream-House-Price-Forecasts.pdf \(savills.com\)](#)

²³ [Savills UK | Spotlight: Prime Residential Property Forecasts – August 2022](#)

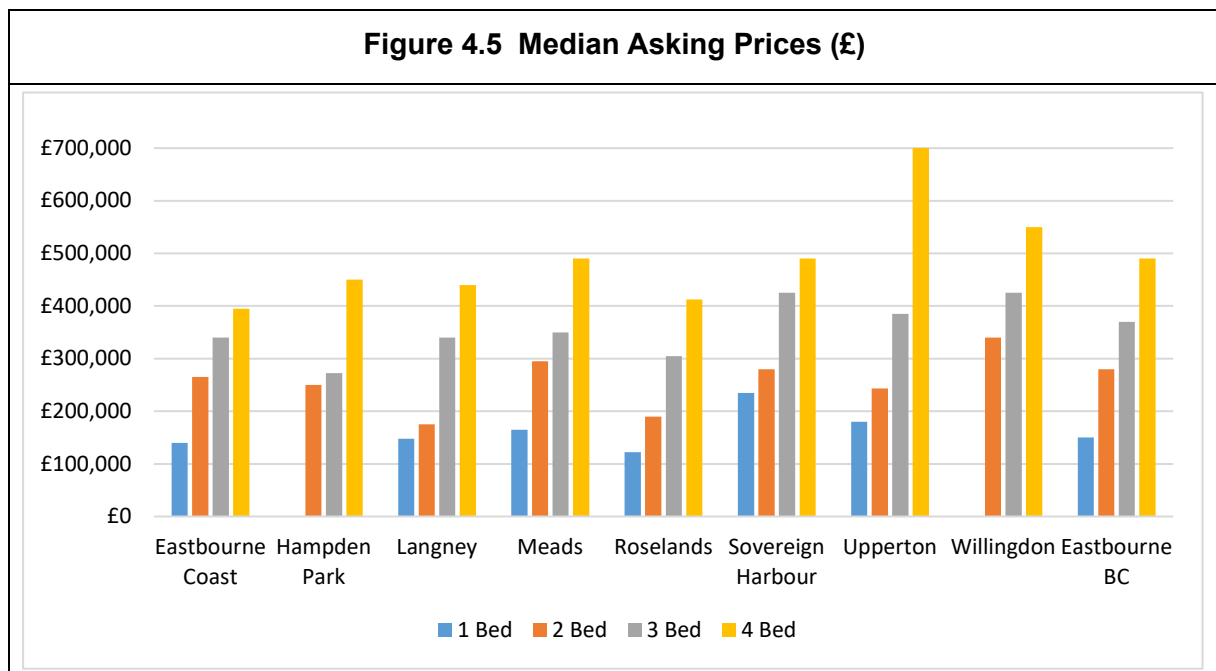
- A typical UK property now costs £293,835
- Annual inflation slowed in all but one region during September
- Wales still showing the strongest annual growth in the UK



4.18 There is clearly uncertainty in the market, and the substantial growth reported over the last few years seems unlikely to continue.

The Local Market

4.19 A survey of asking prices across the Council area was carried out in April 2022, using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated.



Source: Rightmove.co.uk (May 2022)



- 4.20 The above data are asking prices which reflect the seller’s aspiration of value, rather than the actual value, they are however a useful indication of how prices vary across areas. This data suggests that values in the west are higher than in the east.
- 4.21 As part of the research, we have used data from Landmark. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms using the following data sources:

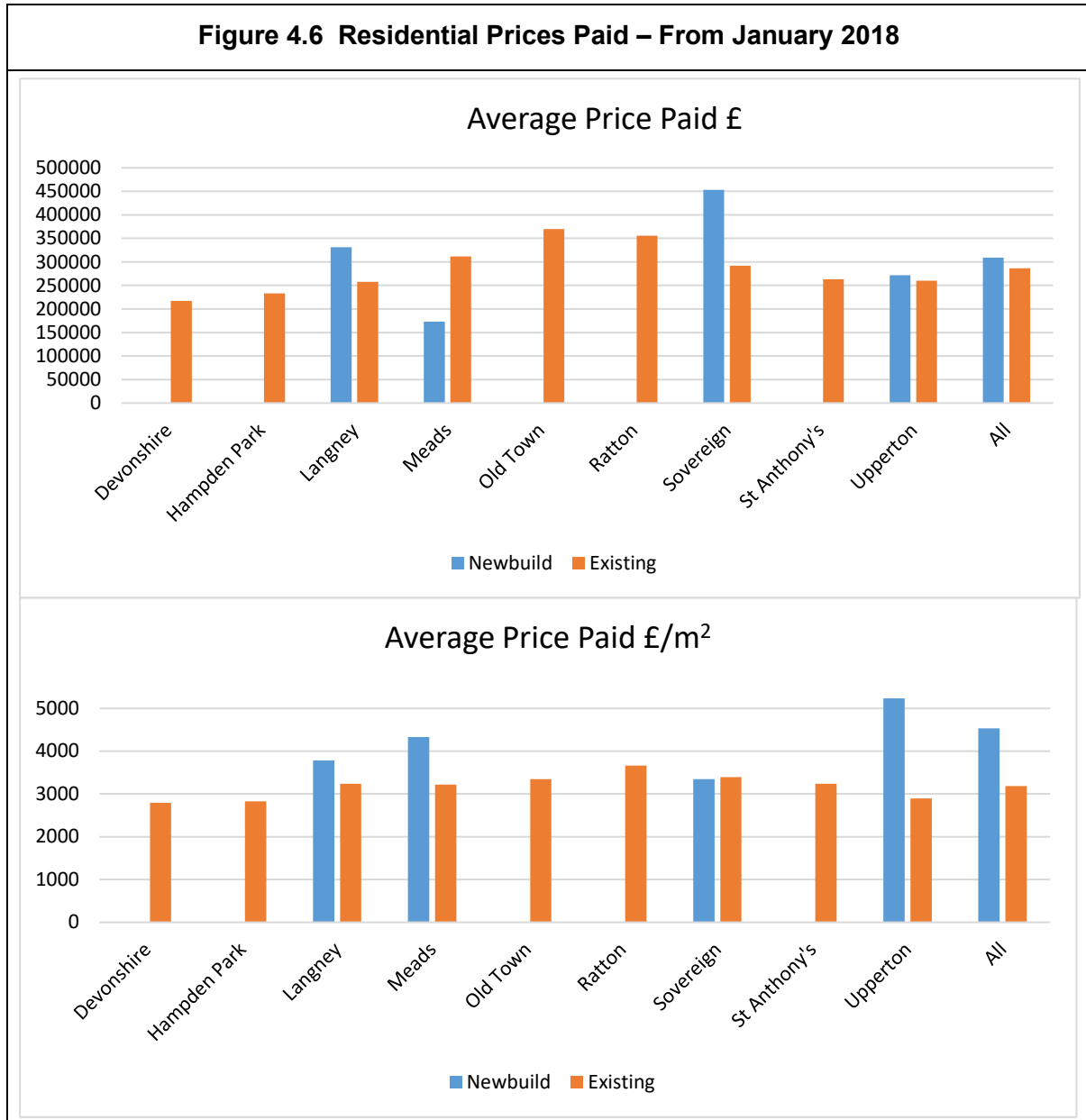
Table 4.3 Landmark Data Sources	
Attribute	Source
Newbuild	HMLR Price Paid
Property Type	HMLR Price Paid
Sale Date	HMLR Price Paid
Sale Value	HMLR Price Paid
Floor Area Size(m)	Metropix
	EPC
Bedroom Count	Metropix
	LMA Listings (Property Heads)
Price per square meter (Sale Value / Floor Area)	HMLR Price Paid
	Metropix
	EPC

Source: Landmark

- 4.22 This data includes the records of 6,738 sales since the start of 2018. Of these, floor areas are available for 6,009 sales and the number of bedrooms is available for 3,967 sales. The data is available for newbuild and existing homes and by ward and can be summarised as follows:

Table 4.4 Landmark Data – Sample Sizes			
	Count of Sale Value	Count of Bedrooms	Count of £/m ²
Newbuild	145	144	6
Non-Newbuild	6,593	5,865	3,961
All	6,738	6,009	3,967

Source: Landmark (May 2022)



Source: Landmark (May 2022)

- 4.23 The full data tables are set out in **Appendix 6** below. This data can be disaggregated by year and between newbuild and existing homes. It is important to note that this data is different to that presented earlier in this chapter so shows a different result, although the data does show, as does the data presented earlier, that values are generally higher in the west than the east.
- 4.24 This data shows that, on average, in EBC, newbuild homes are 8% more expensive than existing homes, however when considered on a £/m² basis the difference is substantially more at 42%. The differentiation is more when considered on a per bedroom basis with new homes being 65% more expensive.
- 4.25 Overall houses are 56% more expensive than flats, but when considered on a £/m² basis, the difference is less at about 10%. Generally, we would expect to find that flats are less expensive than houses, as they tend to be smaller, but also that they tend to be more

expensive when considered on a £/m² basis. Newbuild flats are about 15% more expensive than existing flats and newbuild houses are 31% more expensive than existing houses.

- 4.26 In deriving the assumptions in this report, we have put weight on the more recent data to ensure the more recent changes in values is reflected in the assumptions.

Table 4.5 Average Price by Ward - Existing							
		Flat			House		
		Count	Average £	Average £/m ²	Count	Average £	Average £/m ²
Devonshire		187	£151,925	£2,677	385	£254,317	£2,864
	2019	59	£153,398	£2,684	122	£253,247	£2,661
	2020	53	£148,277	£2,635	113	£241,903	£2,834
	2021	67	£152,550	£2,681	139	£261,909	£3,003
	2022	8	£159,994	£2,875	11	£297,764	£3,429
Hampden Park		31	£127,752	£2,426	258	£252,816	£2,918
	2019	9	£124,383	£2,288	98	£250,080	£2,756
	2020	14	£126,346	£2,319	72	£246,758	£2,831
	2021	6	£128,667	£2,460	85	£261,989	£3,161
	2022	2	£150,000	£3,710	3	£227,667	£3,749
Langney		41	£139,786	£2,687	338	£277,016	£3,365
	2019	18	£132,442	£2,768	99	£254,073	£3,321
	2020	6	£151,000	£2,384	87	£264,069	£3,203
	2021	17	£143,604	£2,697	141	£297,890	£3,435
	2022	0			11	£318,355	£4,060
Meads		677	£253,731	£3,026	154	£601,592	£4,166
	2019	208	£249,415	£2,966	47	£519,947	£3,792
	2020	163	£229,455	£2,798	33	£700,855	£4,086
	2021	278	£267,922	£3,173	71	£615,992	£4,408
	2022	28	£286,200	£3,238	3	£448,000	£4,603
Old Town		44	£178,061	£2,829	416	£396,229	£3,428
	2019	14	£205,671	£2,969	130	£363,601	£3,237
	2020	14	£148,318	£2,706	124	£407,984	£3,283
	2021	15	£180,257	£2,882	155	£413,878	£3,680
	2022	1	£175,000	£2,652	7	£403,136	£3,891
Ratton		31	£191,481	£2,839	460	£371,852	£3,804
	2019	10	£181,100	£2,533	143	£342,856	£3,559
	2020	6	£172,083	£2,747	130	£356,538	£3,708
	2021	14	£209,818	£3,109	181	£404,164	£4,056
	2022	1	£154,950	£2,066	6	£419,992	£3,939
Sovereign		319	£256,043	£3,350	409	£333,367	£3,469
	2019	105	£263,652	£3,276	109	£304,472	£3,355
	2020	72	£237,528	£3,212	128	£314,746	£3,262

	2021	136	£257,149	£3,438	163	£365,922	£3,671
	2022	6	£320,000	£4,024	9	£358,556	£3,886
St Anthony's		68	£142,082	£2,662	454	£286,046	£3,376
	2019	18	£141,556	£2,790	133	£265,491	£3,197
	2020	20	£131,748	£2,526	145	£277,857	£3,243
	2021	26	£150,735	£2,646	163	£307,272	£3,583
	2022	4	£139,875	£2,896	13	£321,538	£3,987
Upperton		412	£181,934	£2,758	227	£434,370	£3,210
	2019	127	£168,376	£2,611	64	£390,703	£3,039
	2020	109	£180,918	£2,682	73	£440,265	£3,187
	2021	158	£192,546	£2,898	83	£457,479	£3,336
	2022	18	£190,608	£2,872	7	£498,143	£3,407
ALL		1810	£215,439	£2,942	3101	£338,637	£3,384
	2019	568	£212,567	£2,870	945	£311,951	£3,193
	2020	457	£198,032	£2,780	905	£332,442	£3,256
	2021	717	£227,157	£3,071	1181	£363,606	£3,596
	2022	68	£232,852	£3,130	70	£357,717	£3,842

Source: Landmark (May 2022)

Table 4.6 Average Price by Ward - Newbuild							
		Flat			House		
		Count	Average £	Average £/m ²	Count	Average £	Average £/m ²
Langney		0			11	£331,286	£3,785
	2021	0			11	£331,286	£3,785
Meads		19	£173,079	£4,331	0		
	2021	19	£173,079	£4,331	0		
Sovereign		1	£355,000	£3,034	32	£429,227	£3,317
	2019	1	£355,000	£3,034	17	£416,588	£3,242
	2020	0			11	£445,523	£3,341
	2021	0			4	£438,125	£3,569
Upperton		75	£259,764	£5,305	3	£564,167	£3,423
	2019	22	£320,816	£5,075	0		
	2020	26	£202,694	£5,370	2	£608,750	£3,561
	2021	26	£263,513	£5,396	1	£475,000	£3,146
	2022	1	£302,950	£6,311	0		
All		95	£243,429	£5,086	46	£414,607	£3,436
	2019	23	£322,302	£4,986	17	£416,588	£3,242
	2020	26	£202,694	£5,370	13	£470,635	£3,375
	2021	45	£225,330	£4,946	16	£366,978	£3,691
	2022	1	£302,950	£6,311	0		

Source: Landmark (May 2022)

4.27 The above data was refreshed in October 2022. The Land Registry publishes data of all homes sold. Across the EBC area 165 home sales are recorded since the start of 2020. There is a considerable lag in the data with only 18 newbuild sales recorded during the first 10 months of 2022.

Table 4.7 Land Registry Price Paid Data – Newbuild Sales, Sample Size					
	Detached	Flats	Semi-detached	Terraced	ALL
2020	7	36	6	1	50
2021	17	68		12	97
2022		18			18
All	24	122	6	13	165

Source: Land Registry (October 2022). Contains HM Land Registry data © Crown copyright. This data is licensed under the Open Government Licence v3.0

4.28 Of the above 32 are non-arms length transactions so are disregarded. Each dwelling sold requires an Energy Performance Certificate (EPC)²⁴. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This information is also included in **Appendix 6**. The price paid data from the Land Registry has been married with the floor area from the EPC Register. The Land Registry data can be broken down by house type. The data can be summarised as follows:

Table 4.8 Land Registry Price Paid Data – Newbuild Sales, Average Price Paid					
		2020	2021	2022	All
Detached	£	£408,071	£383,744		£390,840
	£/m ²	£3,397	£3,721		£3,627
Flat	£	£201,113	£218,556	£319,060	£224,006
	£/m ²	£5,347	£4,875	£5,793	£5,099
Semi Detached	£	£570,283			£570,283
	£/m ²	£3,371			£3,371
2021	£	£640,000	£511,250		£537,000
	£/m ²	£3,536	£3,114		£3,198
All	£	£301,177	£267,080	£319,060	£281,499
	£/m ²	£4,681	£4,550	£5,793	£4,684

Source: Land Registry and EPC Register (October 2022). Contains HM Land Registry data © Crown copyright.
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4.29 The average price paid varies across the area as illustrated in the following maps. The second map below shows that the distribution of newbuild development is concentrated in relatively few wards:

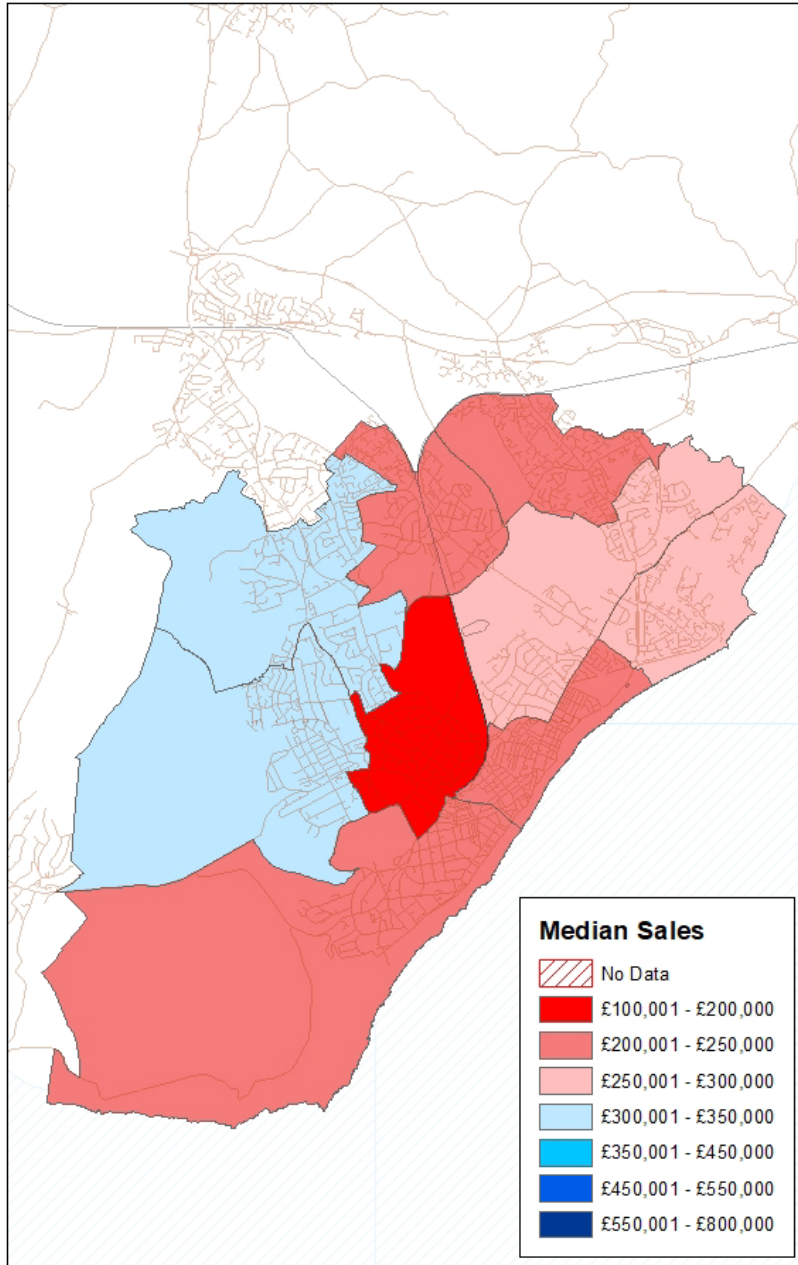
4.30 It is important to note that some of the sample sizes are small so care should be taken when considering a very fine-grained approach.

²⁴ <https://www.epcregister.com/>

Figure 4.7 Median Prices – All Properties



**Eastbourne Borough Council
Median Sales by Ward - All Sales
1/1/19 - 1/3/22**



This data covers transactions received at Land Registry from 1/1/19 to 1/3/22. © Crown Copyright 2022.
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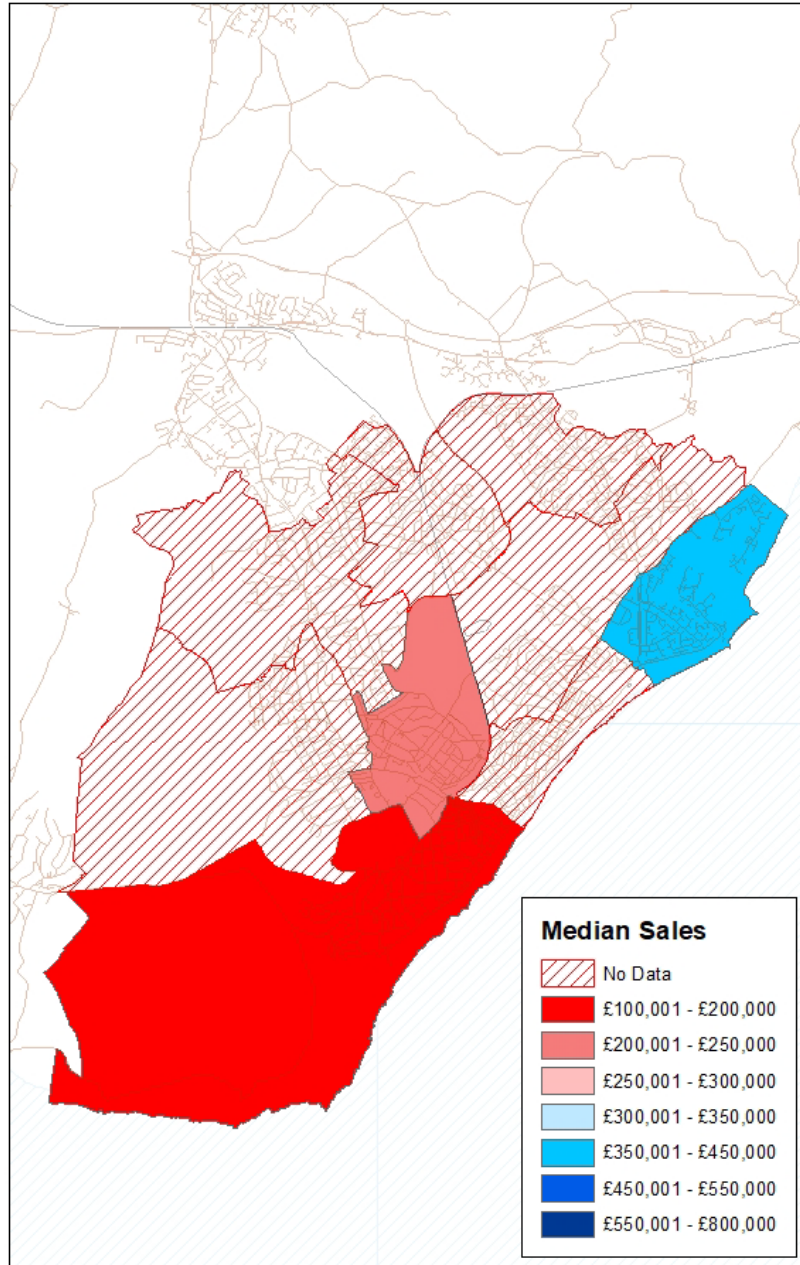
Source: Land Registry (April 2022). Contains public sector information licensed under the Open Government Licence v3.0.



Figure 4.8 Median Prices – Newbuild Properties



**Eastbourne Borough Council
Median Sales by Ward - All Newbuild
1/1/19 - 1/3/22**



This data covers transactions received at Land Registry from 1/1/19 to 1/3/22. © Crown Copyright 2022.
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Source: Land Registry (April 2022). Contains public sector information licensed under the Open Government Licence v3.0.



4.31 The ONS provides data at ward level for median house prices as set out in the following table. The lack of data is a result of the limited distribution of newbuild development.

Table 4.9 Median Price Paid (Newly Built Dwellings) by Ward						
Year Ending March 2022 (£)						
		Detached	Semi-detached	Terraced	Flats	All
Sovereign	Newbuild					
	Existing	£390,000	£322,000	£333,750	£240,000	£300,000
St Anthony's	Newbuild					
	Existing	£335,500	£315,000	£259,975	£155,000	£295,000
Langney	Newbuild					
	Existing	£361,750	£275,000	£253,500	£135,000	£275,000
Devonshire	Newbuild					
	Existing		£325,000	£250,000	£145,000	£227,500
Upperton	Newbuild				£289,950	£289,950
	Existing	£656,250	£425,000	£347,500	£175,000	£197,000
Old Town	Newbuild					
	Existing	£530,000	£364,998	£340,000	£171,000	£369,995
Meads	Newbuild				£166,500	£166,500
	Existing	£717,500	£474,500	£446,250	£255,000	£276,000
Hampden Park	Newbuild					
	Existing	£385,000	£251,750	£235,000	£125,000	£243,250
Ratton	Newbuild					
	Existing	£450,000	£315,000	£270,000	£167,500	£340,000

Source: HPSSA Dataset 37 (Data Release 14th September 2022)

Newbuild Asking Prices

4.32 This study is concerned with new development, so the key input for the appraisals is the price of new units. A survey of new homes for sale was carried out.

4.33 At the time of this research there were 17 new homes being advertised for sale in the Council area. As this is a small sample, we have extended the survey area to the neighbouring seaside towns. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £249,950 and going up to £650,000. The average is about £410,000. These are summarised in the following table and set out in detail in **Appendix 7**.

Table 4.10 Average (mean) Newbuild Asking Prices (£) – May 2022					
	Detached	Flat	Semi-detached	Terraced	All
Bexhill-on-Sea	£481,662		£349,995	£302,995	£442,870
Rosewood Park				£302,995	£302,995
The Gateway	£481,662		£349,995		£462,852
Eastbourne	£447,330	£396,606	£387,995		£408,570
Allingham Lodge		£334,283			£334,283
Glebe Court		£463,750			£463,750
Macauley Drive		£315,000			£315,000
Meadowburne Place*	£447,330		£387,995		£432,496
Hailsham	£502,495				£502,495
Burfield Grange	£502,495				£502,495
Newhaven	£434,998	£329,000	£380,498	£357,500	£362,817
August Fields	£434,998		£380,995	£385,000	£408,998
Newhaven Green		£329,000			£329,000
Safford Park			£380,000	£330,000	£355,000
Peacehaven	£498,245	£293,975		£415,000	£398,209
Chalkers Rise	£498,245				£498,245
Neville Lodge		£312,950			£312,950
Second Road				£415,000	£415,000
The Haven		£275,000			£275,000
Seaford	£559,995	£280,000	£397,662		£406,596
Hortsley		£280,000			£280,000
Seaford Grange	£559,995		£397,662		£438,245
St Leonards-on-Sea	£455,000		£380,000		£430,000
Beauharrow Road	£535,000				£535,000
Oxley Close	£375,000		£380,000		£377,500
Staplecross			£445,000		£445,000
Stockwood Meadow			£445,000		£445,000
All	£478,496	£348,542	£390,774	£358,249	£407,718

Source: Market Survey (April 2022)* This site is not within the EBC area, but is closely associated with the town.

Table 4.11 Average (mean) Newbuild Asking Prices (£/m²) – May 2022					
	Detached	Flat	Semi-detached	Terraced	All
Bexhill-on-Sea	£3,536		£4,487	£4,522	£3,779
Rosewood Park				£4,522	£4,522
The Gateway	£3,536		£4,487		£3,672
Eastbourne	£4,866	£5,579	£3,560		£5,163
Allingham Lodge		£6,125			£6,125
Glebe Court		£5,306			£5,306
Macauley Drive					
Meadowburne Place	£4,866		£3,560		£4,539
Hailsham	£3,926				£3,926
Burfield Grange	£3,926				£3,926
Newhaven	£3,536		£3,606	£3,759	£3,634
August Fields	£3,536		£3,848	£4,185	£3,776
Newhaven Green					
Safford Park			£3,363	£3,333	£3,348
Peacehaven	£4,342	£5,237			£4,790
Chalkers Rise	£4,342				£4,342
Neville Lodge		£5,792			£5,792
Second Road					
The Haven		£4,959			£4,959
Seaford	£4,870	£5,385	£4,612		£4,818
Hortsley		£5,385			£5,385
Seaford Grange	£4,870		£4,612		£4,676
St Leonards-on-Sea	£3,664				£3,664
Beauharrow Road	£3,664				£3,664
Oxley Close					
Staplecross					
Stockwood Meadow					
All	£4,017	£5,457	£4,156	£4,013	£4,421

Source: Market Survey (April 2022)

4.34 This research was refreshed in October 2022.

Table 4.12 Average (mean) Newbuild Asking Prices (£) – October 2022					
	Detached	Flat	Semi-detached	Terraced	All
Barratt	£521,245				£521,245
Meadowburne Place	£521,245				£521,245
Churchill Living		£375,450			£375,450
Allingham Lodge		£375,450			£375,450
David Wilson	£524,995				£524,995
Meadowburne Place	£524,995				£524,995
Eastbourne Property	£409,950				£409,950
Elmwood Close	£409,950				£409,950
Fox & Sons		£275,000			£275,000
Clifton Court		£275,000			£275,000
JW Stratton		£310,000		£625,000	£467,500
Macauley Place		£310,000		£625,000	£467,500
Park Lane Group			£349,950	£299,950	£324,950
Wateringbury Way			£349,950	£299,950	£324,950
Tyron Ash		£215,000			£215,000
Burlington Place		£220,000			£220,000
Other		£210,000			£210,000
ALL	£510,546	£289,488	£349,950	£462,475	£409,286

Source: Market Survey (October 2022)

Table 4.13 Average (mean) Newbuild Asking Prices (£/m²) – October 2022					
	Detached	Flat	Semi-detached	Terraced	All
Barratt	£4,076				£4,076
Meadowburne Place	£4,076				£4,076
Churchill Living		£6,629			£6,629
Allingham Lodge		£6,629			£6,629
David Wilson	£4,153				£4,153
Meadowburne Place	£4,153				£4,153
Eastbourne Property					
Elmwood Close					
Fox & Sons					
Clifton Court					
JW Stratton		£3,690		£3,655	£3,673
Macauley Place		£3,690		£3,655	£3,673
Park Lane Group			£4,374	£4,285	£4,330
Wateringbury Way			£4,374	£4,285	£4,330
Tyron Ash		£3,231			£3,231
Burlington Place					
Other		£3,231			£3,231
ALL	£4,109	£5,045	£4,374	£3,970	£4,376

Source: Market Survey (October 2022)

- 4.35 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that significant discounts are not available, and were unlikely to be available. This reflects the situation we are finding in the wider country where larger housebuilders tend to say that the asking price is the price to be paid.
- 4.36 The above data shows variance across the area, however it is necessary to consider the reason for that variance. An important driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more influenced by the specific site characteristics, the immediate neighbours, and the environment, as well as where the scheme is located.

Price Assumptions for Financial Appraisals

- 4.37 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.

- a) **Brownfield Sites.** Development is likely to be of a higher density than greenfield sites and be based around schemes of flats, semi-detached housing and terraces.
- b) **Flatted Schemes.** This is considered to be a separate development type that is only likely to take place in central Eastbourne. These are modelled as conventional development and as Build to Rent (see below).
- c) **Greenfield Sites.** These are likely to be developed as a broad mix including family housing. They are likely to include only a low proportion of flats.

4.38 It is important to note that this is a broad-brush, high-level study to test EBC’s emerging plan as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation, and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.

4.39 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less aspirational. It is also necessary to appreciate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

4.40 In the *CIL Review Valuation Study (Draft)* (HEB, July 2018) the following assumptions were used:

Table 4.14 CIL Viability Study. 2018 Value Assumptions					
Sales Value £sq m					
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Zone 1	3,100	3,300	3,250	3,200	3,200
Zone 2	3,500	3,550	3,500	3,450	3,450

Source: Appendix 2, *CIL Review Valuation Study (Draft)* (HEB, July 2018)

4.41 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the prices put to the consultation are as in the table below.

Table 4.15 2022 Pre-consultation Residential Price Assumptions – £/m²			
	West	East	Sovereign
Greenfield	4,600	4,600	
Previously Developed Land	4,200	4,200	3,800
Flatted Development	4,300	4,200	4,200

Source: HDH (May 2022)

4.42 No comments were received in relation to these through the May 2022 consultation. Based on the additional information set out above, these assumptions have been updated as follows and with the following points being taken into account:

- a. Average house values are generally higher in the west than in the east – however the difference is marginal and when it comes to new schemes the immediate surroundings of a scheme (the local neighbourhood, the adjacent sites and the outlook etc) are more important.
- b. The exception is in relation to the Sovereign area where prices are somewhat lower than elsewhere.
- c. The variance in the value of flatted development is greater with values being a little higher in west than in the remainder of the Borough.

Table 4.16 Residential Price Assumptions – £/m²			
	West	East	Sovereign
Greenfield	4,100	4,100	
Previously Developed Land	3,375	3,375	3,800
Flatted Development	5,000	4,200	4,200

Source: HDH (October 2022)

Ground Rents

4.43 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents²⁵.

Build to Rent

4.44 This is a growing development format. The Build to Rent sector is a different sector to mainstream housing.

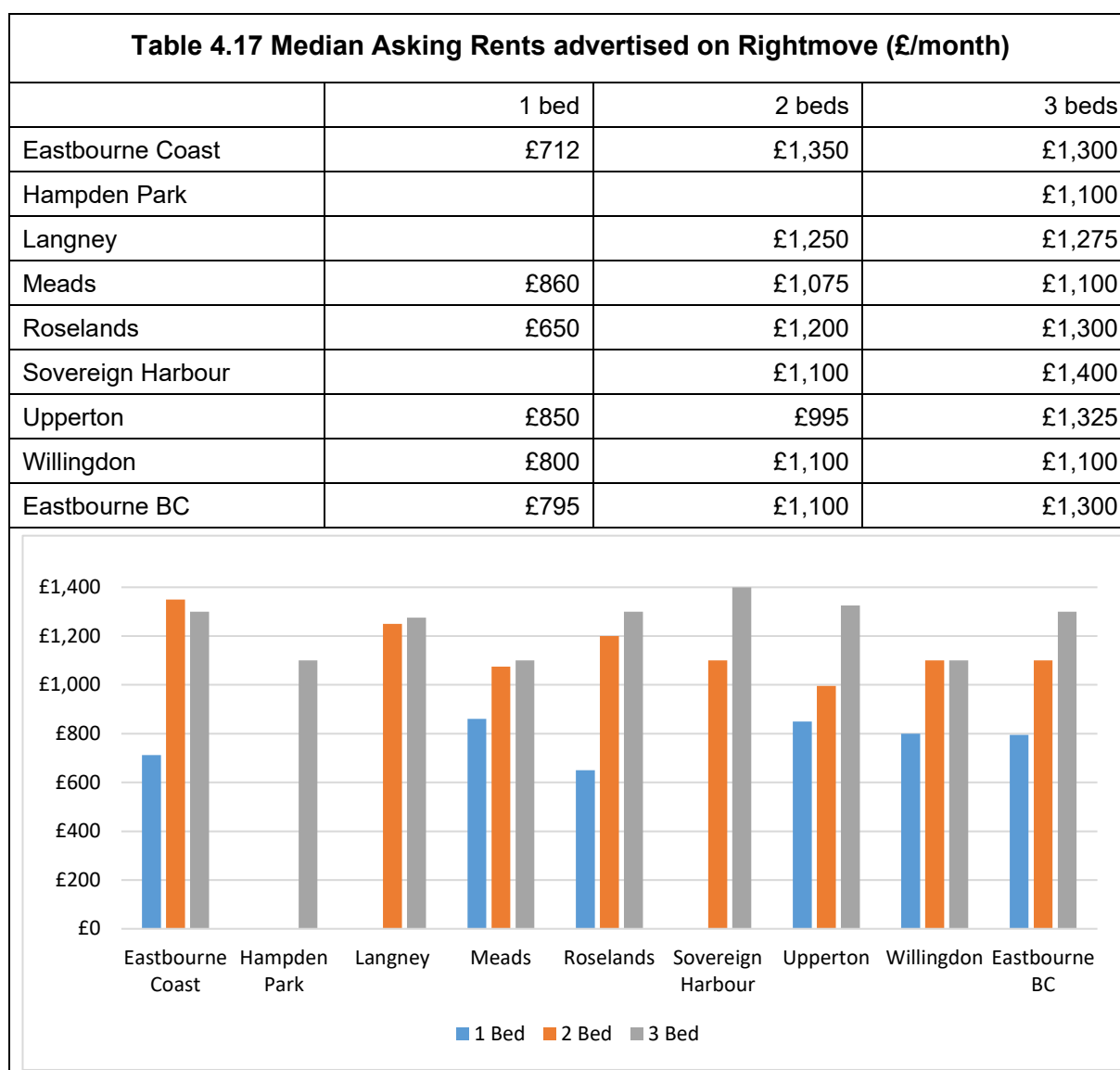
4.45 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor would pay for the completed unit or scheme. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.). This is well summarised

²⁵ In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10. <https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices>

in *Unlocking the Benefits and Potential of Built to Rent*, A British Property Federation report commissioned from Savills, academically reviewed by LSE, and sponsored by Barclays (February 2017):

A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors paying retail prices - i.e. buy to let investors) this has been the preferred route to market as values tend to exceed institutional investment pricing, which is based on a multiple of the rental income. This was described as “BTR is very much a yield-based pricing model.

4.46 In estimating the likely level of rent, we have undertaken a survey of market rents across the area.



4.47 Care must be taken when considering the above to recognise the outliers. The Valuation Office Agency (VOA) collect data on rent levels:

Table 4.187 Rents reported by the VOA – EBC					
1 st April 2021 to 31 st March 2022					
	Count of rents	Mean	Lower quartile	Median	Upper quartile
Room	30	£425	£375	£420	£455
Studio	50	£565	£500	£575	£600
1 Bedroom	460	£711	£650	£700	£750
2 Bedroom	480	£902	£825	£895	£975
3 Bedroom	230	£1,121	£975	£1,100	£1,250
4+ Bedroom	50	£1,406	£1,275	£1,375	£1,595

Source: VOA Private rental market summary statistics in England (Released 22nd June 2022)

- 4.48 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed. Savills in its *Introduction to Suburban Build to Rent - the UK is a nation of suburban renters* (Savills, September 2021) it is suggested that yields in Eastbourne (and other places along the south coast are likely to be in the 4.25% to 4.5% range.
- 4.49 Knight Frank in its *Residential Yield Guide* (Q2 2022) reported a 3.75% yield for Single Family Housing in the South East and 3.50% to 3.75% yield for Build to rent South East Prime. CBRE is reporting 'multifamily prime yields of 3.25% to 3.85% in its *UK Property Market Snapshot Q2 2022*.
- 4.50 Having considered a range of sources, a gross yield of 4.5% has been assumed, being at the cautious end of the range. This is a decrease from 5% assumed earlier in the year. In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor, so new PRS units are likely to have rental values that are well in excess of the averages, with yields that are below the averages.

Table 4.19 Capitalisation of Private Rents			
	1 bed	2 bed	3 bed
Gross Rent (£/month)	£750	£1,000	£1,150
Gross Rent (£/annum)	£9,000	£12,000	£13,800
Value	£200,000	£266,667	£306,667
m ²	50	70	84
£/m ²	£4,000	£3,810	£3,651

Source: HDH (October 2022)

- 4.51 This approach derives a value for private rent, under Build to Rent, of £3,800/m² .
- 4.52 The Council is not making specific allocations for this type of housing so there are no specific sites to test. In this regard we highlight paragraph 10-007-20190509 of the PPG which

specifically anticipates that the viability of Build to Rent housing is considered at the development management stage.

Affordable Housing

- 4.53 A core output of this assessment is advice as to the level of the affordable housing requirement, so it is necessary to estimate the value of such housing. In this assessment it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP).

Affordable Housing Values

- 4.54 The values of affordable housing have been considered from first principles.

Social Rent

- 4.55 The value of social rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent:

Table 4.20 General Needs (Social Rent) – Eastbourne					
Average weekly net rent (£ per week) by unit size for Eastbourne - Large PRPs ²⁶	£ per week				
Unit Size	Net rent	Social rent rate	Service charge	Gross rent	Unit count
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£70.40	£67.50	£19.74	£90.14	38
1 Bedroom	£76.96	£73.70	£12.94	£89.58	317
2 Bedroom	£94.01	£90.14	£9.04	£102.22	471
3 Bedroom	£106.70	£102.72	£3.09	£108.89	580
4 Bedroom	£125.66	£122.23	£2.47	£127.68	66
5 Bedroom	£110.26	£105.02	£0.00	£110.26	1
6+ Bedroom	£0.00	£0.00	£0.00	£0.00	0
All self-contained	£96.16	£92.42	£8.08	£102.96	1,473
All stock sizes	£96.16	£92.42	£8.08	£102.96	1,473
Owned stock. Large PRPs only - unweighted. Excludes Affordable Rent and intermediate rent, but includes other units with an exception under the Rent Policy Statement. Stock outside England is excluded.					

Source: Table 9, SDR 2021 – Data Tool²⁷

4.56 This study concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by Registered Providers (RPs) for such units across the area. In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4%.

²⁶ PRPs are providers of social housing in England that are registered with RSH and are not Local Authorities. This is the definition of PRPs in the Housing and Regeneration Act 2008.

²⁷ [Private registered provider social housing stock in England - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Table 4.21 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Rent (£/week)	£333	£407	£462	£545
Rent (£/annum)	£4,002	£4,889	£5,548	£6,534
Net Rent	£3,202	£3,911	£4,439	£5,227
Value	£80,038	£97,770	£110,968	£130,686
m ²	50	70	84	97
£/m ²	£1,601	£1,397	£1,321	£1,347

Source: HDH (May 2022)

4.57 On this basis, a value of £1,415/m² across the study area would be derived.

Affordable Rent

4.58 Under Affordable Rent, a rent of no more than 80% of the market rent for that unit can be charged. The value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

4.59 In estimating the likely level of Affordable Rent, a survey of market rents across the EBC area has been undertaken and is set out under the Build to Rent heading above.

4.60 As part of the reforms to the social security system, housing benefit / local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). Where this is below the level of Affordable Rent at 80% of the median rent, it is assumed that the Affordable Rent is set at the LHA Cap. The whole of the Borough is within the Eastbourne BRMA.

Table 4.22 BRMA LHA Caps (£/week)	
Shared Accommodation	£74.81
One Bedroom	£138.08
Two Bedrooms	£176.05
Three Bedrooms	£207.12
Four Bedrooms	£276.16

Source: VOA (May 2022)

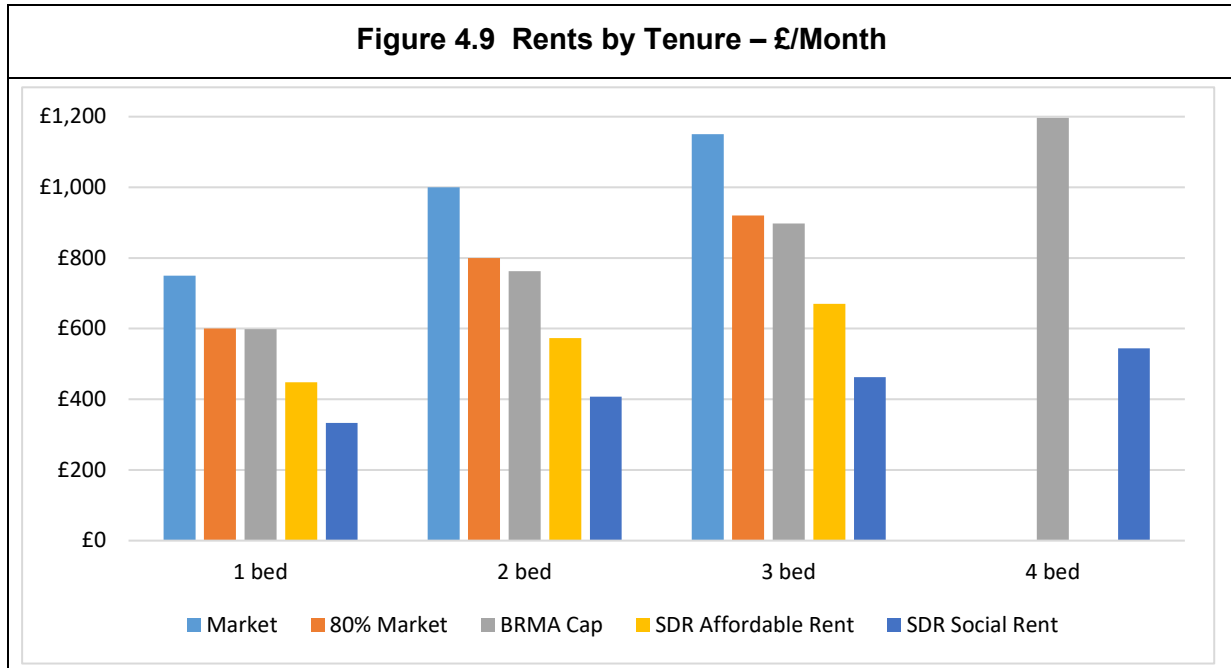
4.61 These caps are generally more than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes).

Table 4.23 Affordable Rent General Needs - Eastbourne		
Average weekly gross rent (£ per week) and unit counts by unit size for Eastbourne		
Unit Size	£ per week	
	Gross rent	Unit count
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£103.53	47
2 Bedroom	£132.36	66
3 Bedroom	£154.72	106
4 Bedroom	£144.71	1
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All self-contained	£137.03	220
All stock sizes	£137.03	220
Owned stock. All PRPs owning Affordable Rent units - unweighted. Stock outside England is excluded.		

Source: Table11, SDR 2021 – Data Tool²⁸

4.62 The figure for 4 bedroom homes should be treated with caution due to the very small sample size. The rents can be summarised as follows.

²⁸ [Private registered provider social housing stock in England - GOV.UK \(www.gov.uk\)](https://www.gov.uk)



Source: Market Survey, SDR and VOA (May 2022)

- 4.63 Initially, in calculating the value of Affordable Rent, we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 4%. It is assumed that the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth.

	1 Bedroom	2 Bedrooms	3 Bedrooms
Gross Rent (£/month)	£598	£763	£898
Gross Rent (£/annum)	£7,180	£9,155	£10,770
Net Rent	£5,744	£7,324	£8,616
Value	£143,603	£183,092	£215,405
m ²	50	70	84
£/m ²	£2,872	£2,616	£2,564

Source: HDH (May 2022)

- 4.64 Using this method to assess the value of affordable housing, under the Affordable Rent tenure, a value of £2,685/m² is derived.

Affordable Home Ownership

- 4.65 Intermediate products for sale include Shared Ownership and shared equity products²⁹ as well as First Homes. We have assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.5%³⁰ per annum rent payable on the equity retained. The rental income is capitalised at 4% having made a 2% management allowance.
- 4.66 The following table shows ‘typical’ values for Shared Ownership housing at a range of proportions sold:

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	% OMV
95	3,800	361,000	10%	36,100	2.50%	8,123	199,001	235,101	2,475	65.13%
95	3,800	361,000	20%	72,200	2.50%	7,220	176,890	249,090	2,622	69.00%
95	3,800	361,000	30%	108,300	2.50%	6,318	154,779	263,079	2,769	72.88%
95	3,800	361,000	40%	144,400	2.50%	5,415	132,668	277,068	2,917	76.75%
95	3,800	361,000	50%	180,500	2.50%	4,513	110,556	291,056	3,064	80.63%
95	3,800	361,000	60%	216,600	2.50%	3,610	88,445	305,045	3,211	84.50%
95	3,600	342,000	10%	34,200	2.50%	7,695	188,528	222,728	2,345	65.13%
95	3,600	342,000	20%	68,400	2.50%	6,840	167,580	235,980	2,484	69.00%
95	3,600	342,000	30%	102,600	2.50%	5,985	146,633	249,233	2,624	72.88%
95	3,600	342,000	40%	136,800	2.50%	5,130	125,685	262,485	2,763	76.75%
95	3,600	342,000	50%	171,000	2.50%	4,275	104,738	275,738	2,903	80.63%
95	3,600	342,000	60%	205,200	2.50%	3,420	83,790	288,990	3,042	84.50%

Source: HDH (May 2022)

- 4.67 In November 2020, the Government undertook a consultation around the standard Shared Ownership model, the outcome of which was announced in April 2021
- a. A reduction in the minimum first tranche share to 10%.
 - b. The ability of shared owners to staircase by 1% annually for up to 15 years, at a value based on the original purchase price uprated by the local House Price Index (and a reduction in the minimum staircasing threshold from 10% to 5%).
 - c. A ten-year ‘repair free period’ during which the landlord would fund repairs worth up to £500 per year, with a one-year rollover, with the shared owner responsible for undertaking repairs.

²⁹ For the purpose of this assessment, it is assumed that the ‘affordable home ownership’ products, as referred to in paragraph 64 of the 2021 NPPF, fall into this definition,

³⁰ A rent of up to 3% may be charged – although we understand that in this area 2.75% is more usual.

- 4.68 Discussions with RPs suggest that having taken this change in to account, values are unlikely to fall significantly.
- 4.69 In relation to First Homes, the £250,000 cap is assumed to apply.

Grant Funding

- 4.70 It is assumed that grant is not available for market housing schemes of the type assessed in this viability assessment. Funding may be available in exceptional circumstances, for example to facilitate regeneration infrastructure.

Older People's Housing

- 4.71 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product that are defined in paragraph 63-010-20190626 of the PPG:

Retirement living or sheltered housing: This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care: This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

- 4.72 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and Extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare Housing is 25% more expensive than Sheltered Housing.
- 4.73 A typical price of a 3 bed semi-detached home has been taken as a starting point. On this basis it is assumed Sheltered and Extracare Housing has the following worth:

Table 4.26 Worth of Sheltered and Extracare			
	Area (m ²)	£	£/m ²
3 bed semi-detached		360,000	
1 bed Sheltered	50	270,000	5,400
2 bed Sheltered	75	360,000	4,800
1 bed Extracare	65	337,500	5,192
2 bed Extracare	80	450,000	5,625

Source: HDH (May 2022)

- 4.74 We have undertaken a review of older people’s schemes within the Borough and surrounding area however few are being advertised at the time of this report.
- 4.75 Based on the above, a value of £5,250/m² is assumed for Sheltered Housing and for Extracare Housing. Extracare is likely to have a higher value, however we have been unable to evidence this so no differentiation has been made. No allowance is made for ground rents.
- 4.76 The value of units as affordable housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market led Extracare development. Private sector developers have been consulted. They have indicated that, whilst they have never disposed of any units in this way, they would expect the value to be in line with other affordable housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

5. Non-Residential Market

- 5.1 This chapter sets out an assessment of the markets for non-residential property within the Eastbourne Borough Council (EBC) area, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study.
- 5.2 Existing available evidence for the sub-region showing non-residential rents is limited, but the most recent (which is rather historic) can be found in the *South Downs National Park Authority Viability Assessment: Community Infrastructure Levy & Affordable Housing (Dixon Searle Partnership, January 2014)*³¹ and is summarised below.

Development Type		Value Level (Annual Rent Indication £/sq. m)		
		Low	Medium	High
Large Retail (A1)	Supermarket - Town centre	£225	£250	£275
A1- A5 - Small Retail	Other retail - town centre	£125	£150	£175
A1-A5 - Small Retail	Out of centre/villages - convenience / other retail	£75	£125	£175
A1-A5 - Small Retail	Farm shop, rural unit, café or similar	£50	£75	£100
B1(a) Offices - Town Centre	Office Building	£125	£150	£175
B1(a) Offices - Rural	Farm diversification, rural business centres, ancillary to other rural area uses	£75	£100	£125
B1, B2, B8 - Industrial / Warehousing	Start-up / move-on unit	£60	£80	£100
B1, B2, B8 - Industrial / Warehousing	Larger industrial / warehousing unit including offices - edge of centre	£55	£75	£95
C1 - Hotel	Hotel - various types - tourism-led (range dependant on market / type)	£4,000*	£5,000*	£6,000*
C2 - Residential Institution	Nursing home / care home	£160	£180	£200

*per room per annum

Source: South Downs National Park Authority Viability Assessment: Community Infrastructure Levy & Affordable Housing (DSP, January 2014)

- 5.3 This study is concerned with today's costs and values for Eastbourne and represents the most up to date evidence. Previous assumptions have been referenced for information and sense checking purposes. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as

³¹ Accessed at: https://www.lewes-eastbourne.gov.uk/_resources/assets/inline/full/0/258682.pdf

planned development. In this study we have considered the larger format office and industrial use and retail uses and hotel uses.

- 5.4 Across the Borough, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the EBC area, there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

National Overview

- 5.5 The various non-residential markets in the EBC area reflect national trends. The retail markets are particularly challenging, with the impacts of Covid-19 creating increased uncertainty:

The Q3 2022 RICS UK Commercial Property Survey results point to a weakening in market activity over the quarter, with the prospect of significant further interest rate rises weighing heavily on the outlook over the year ahead. Indeed, just over 80% of survey participants now consider the commercial real estate market to be in a downturn, with headline expectations for rents and capital values falling into negative territory during Q3...Office and retail sectors see the sharpest drop in demand but industrial momentum is also fading noticeably.

RICS – Q3 2022: UK Commercial Property Market Survey³²

- 5.6 The RICS Economy and Property Market Update (November 2022)³³ reports:

“The increase in interest rates sanctioned by the Bank of England to try and curb inflation pressures has begun to take its toll on both the residential and commercial property markets. Transaction activity is already beginning to wane and price declines are viewed as likely with further monetary tightening probable over the coming months notwithstanding the more restrictive fiscal stance. For the construction sector, infrastructure is still seen as likely to provide some momentum in what is inevitably going to be a more difficult environment with credit becoming less readily available.”

- 5.7 Local surveyors interviewed for the Q1, Q2 and Q3 2022 RICS survey reported that in the South East region:

“Suddenly rural businesses are like rabbits staring into headlights—no idea where to go or what to do.” (Ted Handley, Rural East Sussex/West Kent, Ted Handley & Co Ltd)

“Occupier market remains strong despite the economic outlook but this could change depending on what happens with gas and electricity costs.” (David Martin, Brighton, SHW)

“The retail market has seen a steady period in Q2 benefitted by below average shop vacancies and an increase in tourist numbers, albeit local custom has struggled due to the rising cost of living and other factors” (Colin Brades, Brighton & Hove, Avison Young)

“Upturn in the market and values are increasing. Retail units providing furnishing, clothing, food and beauty services are thriving.” (Lavine Lammy, East Sussex, Valunation)

³² Accessed at: https://www.rics.org/contentassets/fc6e65aa9cc7444a803beff8ff040461/q3-2022-rics-uk-commercial-property-market-survey_final.pdf

³³ Accessed at: <https://www.rics.org/contentassets/0499672017b54302b5d2d4d7e026203e/uk-economy-and-property-update-november-2022.pdf>

“My main area of activity is in the industrial and development sector. There are clear signs that the market has reached its peak and landlords and investors are showing concern about the general state of the world economy. For new build, the planning system has almost ground to a halt which is frustrating new development opportunities from coming forward. The system needs a major overhaul.” (Tony Chalkley, South East, Grant Mills Wood)

“Demand for smaller industrial and warehousing remains strong. Tenants however are becoming concerned over rising energy, material and labour costs that cannot all be passed on to customers. Rents may be squeezed this year” (John Sadler, Midhurst West Sussex, Claud Waterer Commercial Limited)

“There is yet to be a notable effect on the SME office market from the pandemic, mostly as many SME’s have adopted a “sit and wait” approach. As government support is eased and SME’s determine their property strategies in light of emerging hybrid working practices, much surplus office accommodation will be released to the market, driving down effective rental levels and forcing up yields, resulting in falling capital values.” (Darren Bradley, South East, Cromwell Holdings)

Eastbourne Non-Residential Market

- 5.8 The Eastbourne Employment Land Local Plan (EBC, 2016); Eastbourne Economic Development Needs Assessment (Lichfields, 2017); and Employment and Economic Study Eastbourne and Wealden (Iceni, April 2022) helpfully describe Eastbourne’s principal commercial property market and its spatial distribution:

As a seaside town, Eastbourne’s economy has relied heavily on tourism and the town continues to compete as a premier seaside destination in the United Kingdom. There is some strength in manufacturing activities, particularly related to particular mechanical products. There is also a strong concentration of employment within key parts of the ‘media’ sector in terms film and TV production and production of recorded media. In 2016 Eastbourne had a business stock of approximately 3,100 business enterprises although the overall number has declined in recent years. Business stock is dominated by micro-businesses, and the most common industry for business enterprises is the Professional, Scientific and Technical sector.

There are approximately 2,900 commercial premises in Eastbourne, and it is estimated that there is approximately 404,000 sqm of class-B use floorspace in the town. There were a total of 43,000 jobs across all sectors in Eastbourne in 2011, including retail, tourism and healthcare.

Eastbourne has seven Industrial Estates located in three broad areas (Hampden Park, Lottbridge Drove and Courtlands Road). The Industrial Estates cover a total of approximately 72 hectares.

Over recent years, there has been an overall net increase in employment floorspace in Eastbourne. A significant amount of this growth has been due to redevelopment of areas of the Courtlands Road and Brampton Road Industrial Estates to provide an increased amount of higher quality employment space. There has been an overall increase in the amount of class B8 (Storage and Distribution) uses, however there has been a net loss of all other employment use classes. There has been a significant loss in class B1a (Office) uses in the last two years, particularly to residential use due to the recent changes to Permitted Development rights.

The Town Centre also contains a number of office developments and other employment uses, and there are a number of smaller estates scattered around the town. This shows that the majority of the Borough’s business base and employment is concentrated in and around the town centre and the key employment locations of Hampden Park and Lottbridge Drove. The latter two areas accommodate large concentrations of employment in the manufacturing, construction and wholesale sectors. Education and healthcare are sectors where employment is spread more evenly across the Borough, especially in more residential areas.

Hospitality related employment (i.e. accommodation and food services) is generally clustered in and around the town centre and seafront, while professional services employment tends to be dispersed relatively widely across the Borough, with small pockets accommodated within

Eastbourne's residential areas reflecting the prevalence of home working amongst the business services sector. The seafront is dominated by hospitality businesses and employment more so than any other sector. There is considerable retail employment based in and around the Arndale Centre with other office-based sectors clustered near to Eastbourne railway station.

- 5.9 The Employment and Economic Study Eastbourne and Wealden (Iceni, April 2022)³⁴ found that:

The Functional Economic Market Area [FEMA] is considered to align with the Housing Market Area geographies. This, in a broad sense, puts southern areas of Wealden (Polegate and Hailsham) in the Eastbourne FEMA....An implication of this FEMA arrangement is that economic needs that cannot be met in Eastbourne could be considered for accommodation in southern Wealden, subject to Duty to Cooperate discussions as part of the Local Plan making process. Although it has not been historically defined in this way, it is reasonable to consider that Wealden has already been in part providing premises for Eastbourne's business demands such as at the Connect 27 development at Polegate...At the LEP level (2014) it is of note that a growth corridor is identified for the A22/A27 Eastbourne/South Wealden.

Offices: the office market is undergoing a period of adjustment due to the Covid-19 pandemic which will influence future ways of working. The current market remains in relative stasis. Looking back, Eastbourne has seen substantial losses although these have levelled off since 2014, potentially due to an exhaustion of convertible supply. Taking a view to 2039, it seems reasonable to expect some future demand focused on non-corporate managed or flexible workspace. Sovereign Harbour is reportedly performing well at present as a signal of future need. Whilst there is uncertainty in the future outlook for offices, it is also important to plan positively particularly to support the Eastbourne economy and potential growth associated with an increased population (subject to housing delivery to be considered in the Local Plan) or 'lifestyle movers' enabled to relocate to Eastbourne through remote working practices. As a result is recommended that the authority plan positively for office space at the upper end of the range reported here being 3.1 ha or 15,523 sqm. This need is likely to increase as further losses occur, which should be considered for replacement.

Industrial and warehousing: completions indicate a strong demand for industrial and warehousing units although net gains for industrial and warehousing combined show only a modest overall positive trend which is not fulfilling market need. As a result, as noted above, it is recommended that the midpoint between gross and net completions is planned for. Any site redevelopment opportunities can absorb this need in the first instance but market feedback and site assessments suggest that these are more limited now and further space is required. The total need is therefore 11.4 ha or 53,249 sqm which is around 25% higher than the labour supply needs.

- 5.10 This study is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as the access to transport network) are important.
- 5.11 Various sources of market information have been analysed, the principal sources being the local agents/auctioneers, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove and Zoopla). In addition, information from CoStar (a property industry intelligence subscription service) has

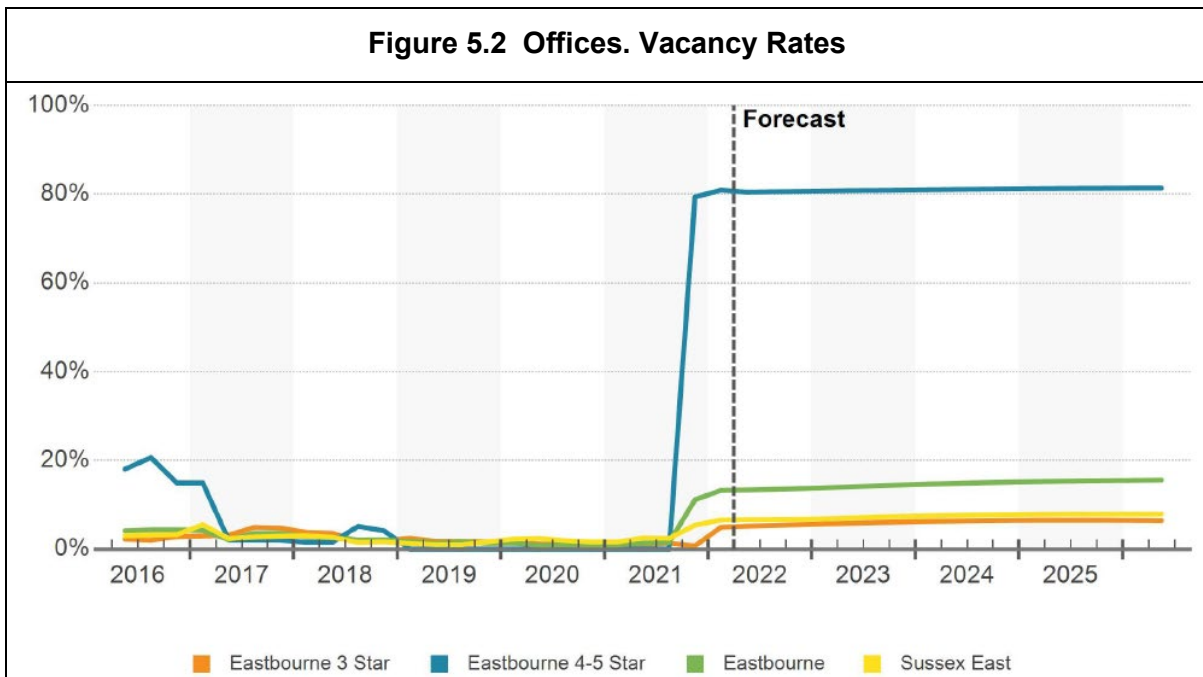
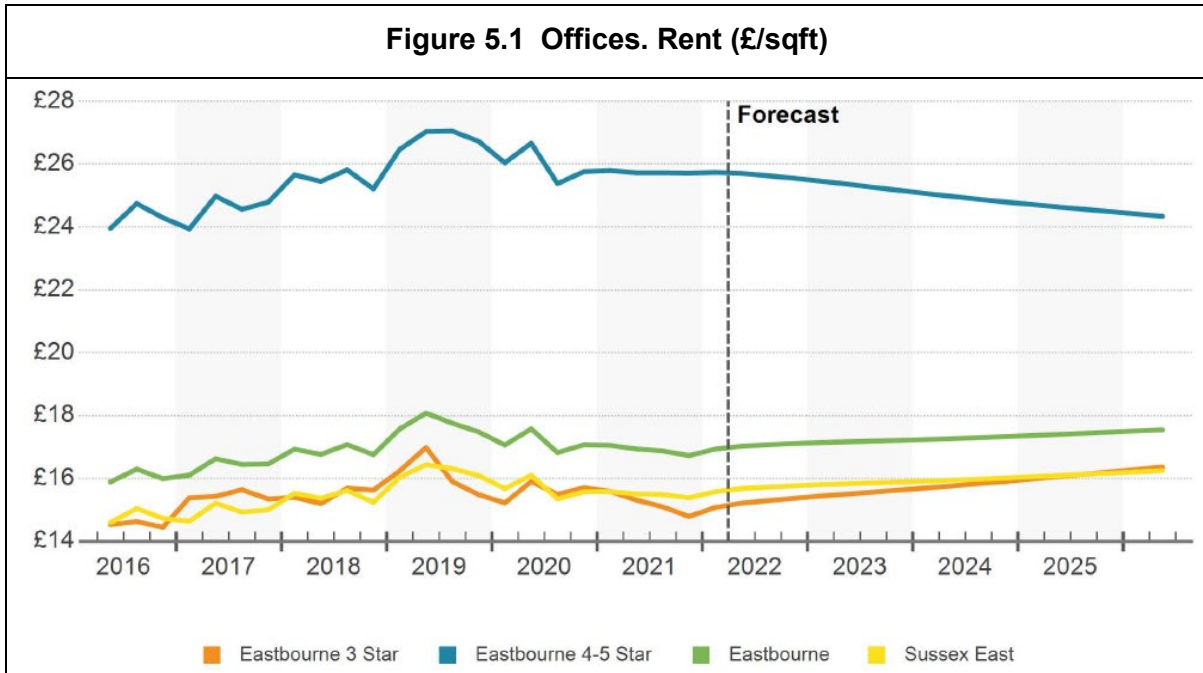
³⁴ Accessed at: https://planningpolicyconsult.lewes-eastbourne.gov.uk/gf2.ti/f/1456610/150038245.1/PDF/-/Eastbourne%20and%20Wealden%20Economic%20Study%20Report%20Final%20Clean%20_2_.pdf

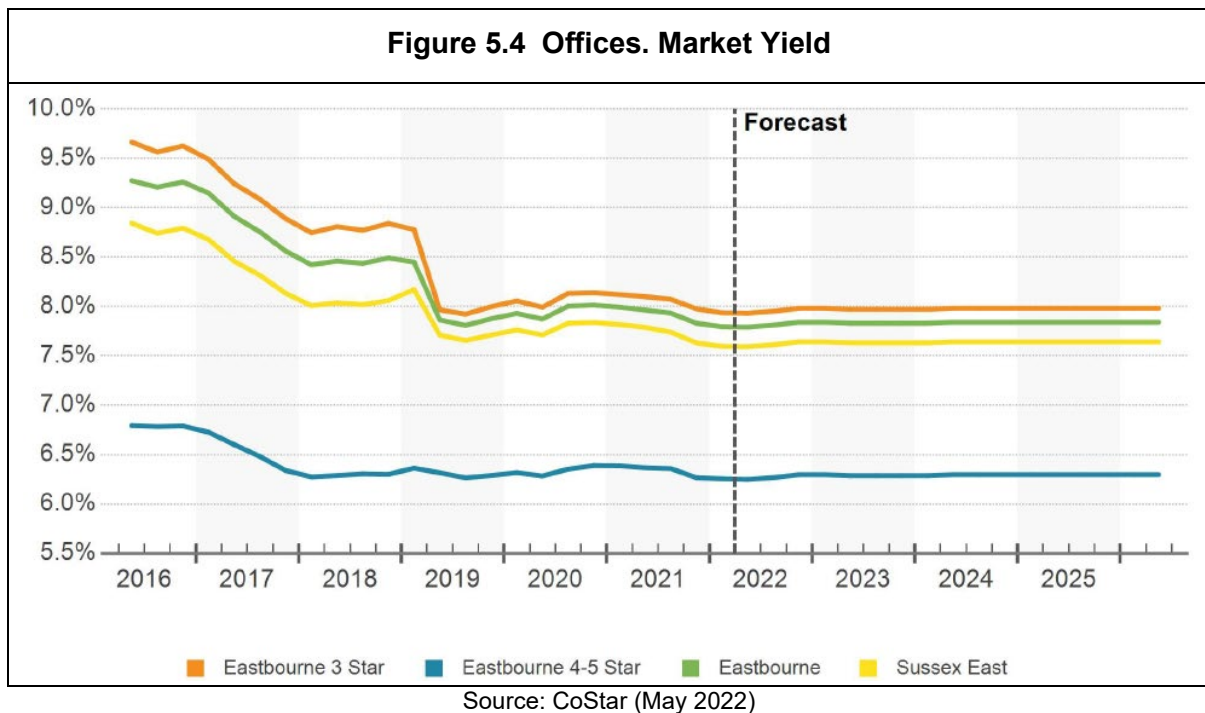
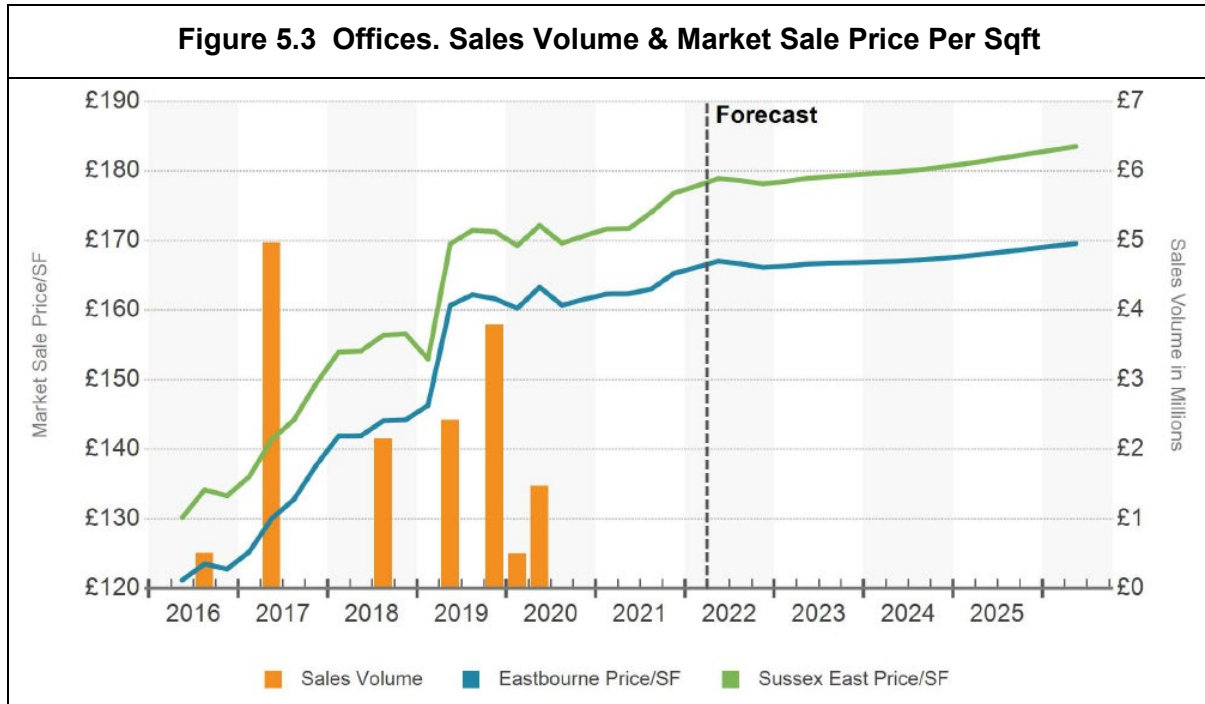
been used. Clearly much of this commercial space is 'second-hand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

- 5.12 **Appendix 8** includes up to date market data collected (in May 2022 and December 2022) for the above-mentioned sectors and summarised in the pages that follow. This includes insights from CoStar analysis of the Eastbourne Submarket.
- 5.13 Through the consultation, concern was expressed about the lack of rent free periods / voids. We confirm that these are taken into account.

Offices

- 5.14 According to the Eastbourne Office Submarket Report (CoStar, May 2022), the office submarket in Eastbourne in Sussex East contains a sizable chunk of the market's inventory, but with around 950,000 sqft, it is a small submarket relative to the national average. The vacancy rate has risen significantly over the past 12 months, and at 13.1%, the rate was substantially above the long-term average as of 2022Q2.
- 5.15 Net absorption was negative over the past year. This is a continuation of the trend: Net absorption has registered an average annual decrease of -5,000 sqft per year over the past five years. Rents have posted an average annual gain of 2.9% over the past decade but have been basically unchanged over the past year.
- 5.16 There are no supply-side pressures on vacancy or rent in the near term, as nothing is under construction. Though the pipeline is empty, the submarket has seen recent development. Roughly 25,000 sqft has delivered over the past three years, representing an inventory expansion of 2.7%.
- 5.17 Nothing has traded over the past 12 months in the Eastbourne Submarket, and only a handful of properties generally trade here in an average year.
- 5.18 CoStar data shows generally stable rent levels in the office sector over the last five years, but they are forecast to decrease slightly for the highest specification premises in the next few years. Vacancy rates have increased significantly in this time.





5.19 A survey of office leases over the past 4 years, using CoStar (May 2022), shows average rents (for all types of office) of £169.54/m²/year (£15.75 sqft/year). On the whole these buildings are not modern offices that are best suited to current work practices. For 4-5 star offices (i.e. highest specification premises) CoStar reports a market average rent

£277/m²/year (£25.74 sqft/year). A median yield of 8.24% is reported³⁵, although newer properties are likely to be less than this and closer to 6.25%. CoStar reports average sales prices of £2,177/m² (£202/sqft), with a median being rather less at £1,803/m² (£168/sqft).

5.20 A review of leases from the previous four years found the following rents per square metre per annum:

Table 5.2 Office Rents				
<u>£/m²/Year</u>	Median	Mean	Max	Minimum
Office	175.13	169.54	338.52	53.82

Source: CoStar (December 2022)

5.21 A review of the sales found the following values and yields:

Table 5.3 Office Values and Yields		
<u>Values £/m²</u>	Median	Mean
Office	1,803.28	2,177.37
<u>Net Initial Yield</u>	Median	Mean
Office	8.24	7.55

Source: CoStar (December 2022)

5.22 For the purposes of the first consultation event a rent of £225 m²/year was put forward with an assumed yield of 6.5%. This provided a value of approximately £3,400/m².

Industrial and Distribution

5.23 According to the Eastbourne Industrial Submarket Report (CoStar, May 2022), a sizable chunk of Sussex East's inventory is contained in Eastbourne, but with roughly 2 million square feet, this remains a small submarket compared to the national norm.

5.24 Vacancies (currently 2.8%) have softened somewhat over the past year, but this is not overly concerning, given that the overwhelming majority of stock remains full. Annual net absorption came in at a decrease of 39,000 sqft over the past year. The story improves over a longer timeframe: Over the past five years, the submarket has posted net absorption of about 6,000 sqft per year, on average.

5.25 Rents increased by an impressive 8.3% over the past 12 months, the strongest pace of rent growth observed here in more than a decade.

³⁵ All median figures based on CoStar typical range for Eastbourne (4 years of sales - as at December 2022)

- 5.26 There are no supply-side pressures on vacancy or rent in the near-term, as nothing is underway. This lack of construction extends a prolonged hiatus from new development in the submarket. However, there has been some development over the past decade, including the redevelopment and intensification of the Former White Knight Laundry, Hammonds Drive (application reference 130182)
- 5.27 Nothing has traded over the past 12 months, and only a handful of properties generally trade here in an average year.
- 5.28 CoStar data also shows an increase (for most premises types) and an increase in rents over the last five years in the industrial sector:

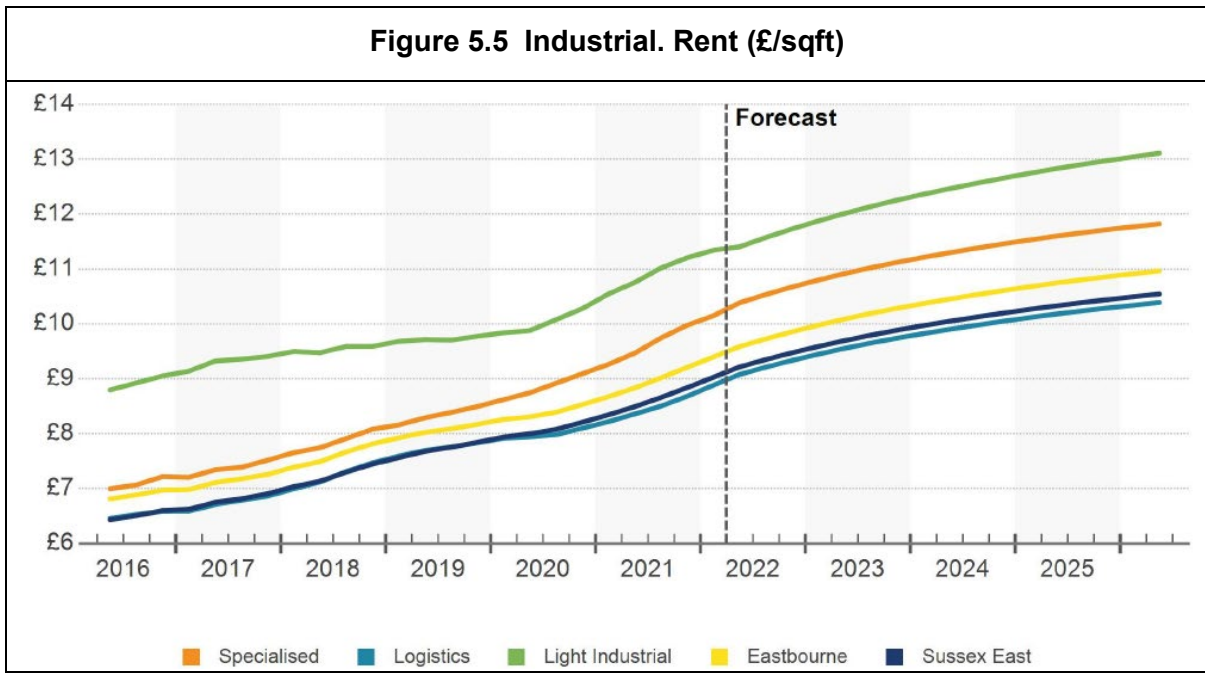
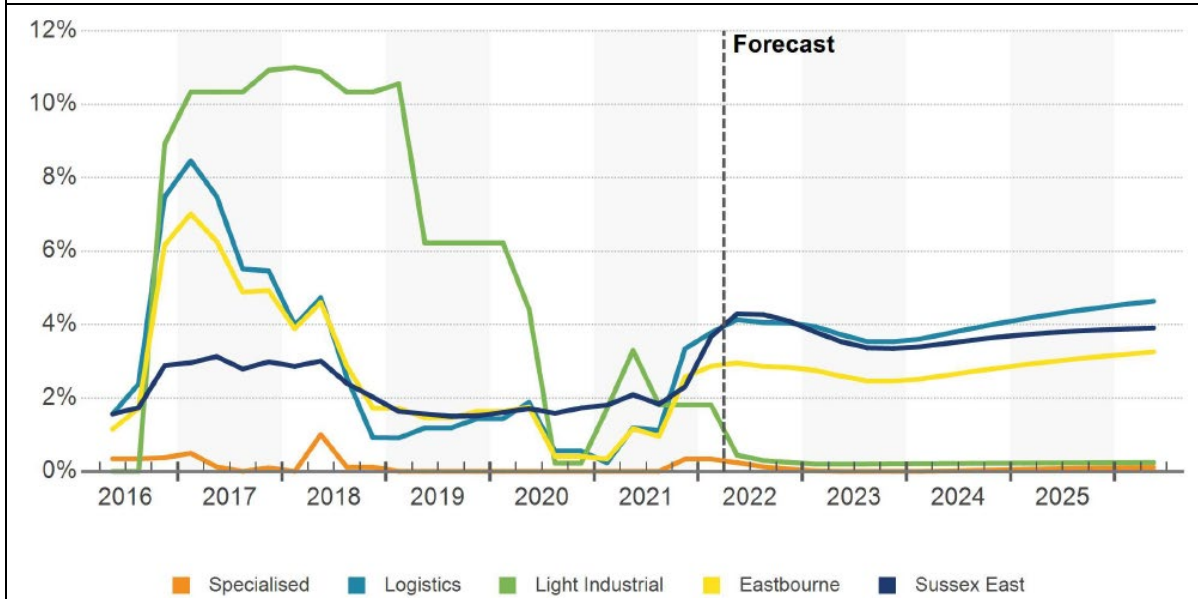
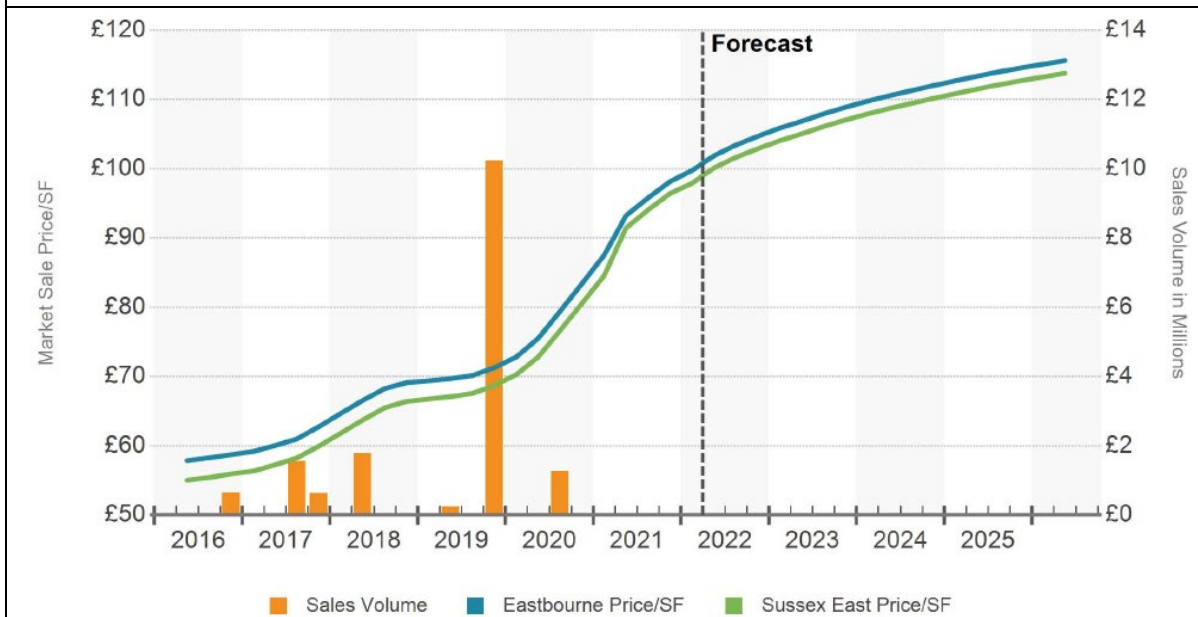


Figure 5.6 Industrial. Vacancy Rates

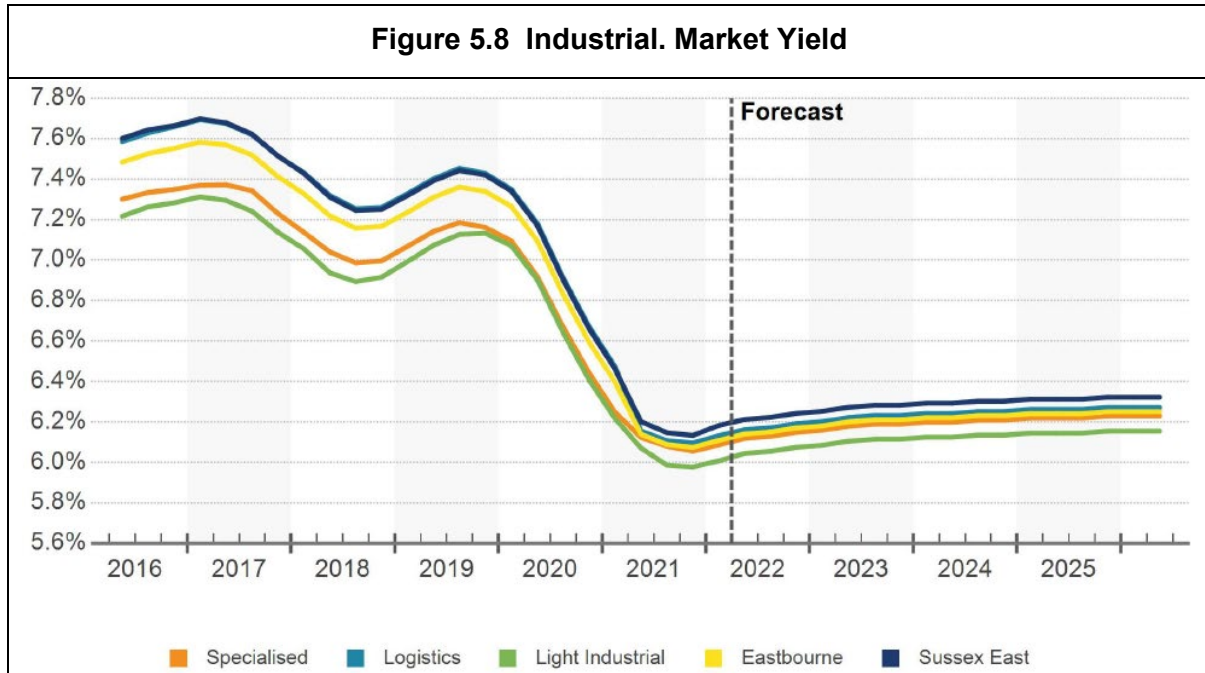


Source: CoStar (May 2022)

Figure 5.7 Industrial Sales Volume & Market Sale Price Per Sqft



Source: CoStar (September 2019)



5.29 A survey of industrial leases over the past four years, using CoStar (May 2022), shows average rents (for all types of industrial space) of about £91.24/m²/year (£8.47/sqft/year). On the whole these buildings are not modern facilities that are suited to modern industry. CoStar reports a an average yield of 6% - 7.5%.

5.30 A review of leases from the previous four years found the following rents per square metre per annum:

Table 5.4 Industrial Rents				
£/m²/Year	Median	Mean	Max	Minimum
Industrial	91.28	91.24	218.18	32.51

Source: CoStar (December 2022)

5.31 A review of the sales found the following values and yields:

Table 5.5 Industrial Values and Yields		
Values £/m²	Median	Mean
Industrial	823.44	616.76
Net Initial Yield	Median	Mean
Industrial	7.52	6.84

Source: CoStar (December 2022)

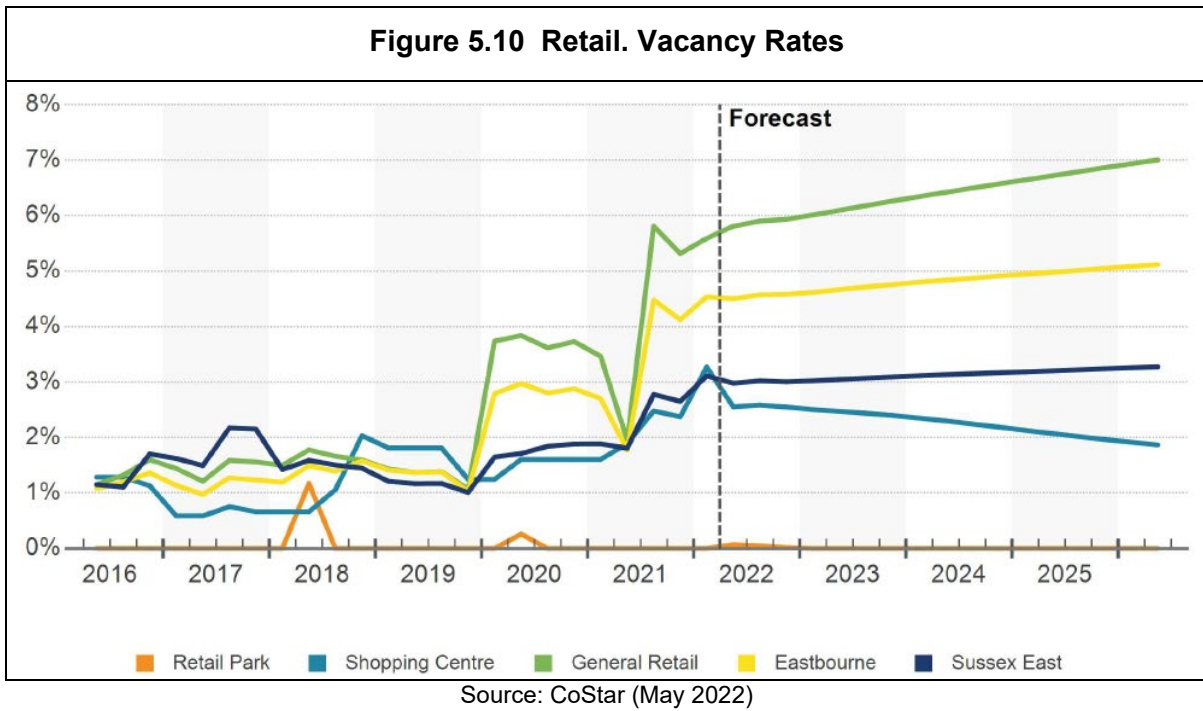
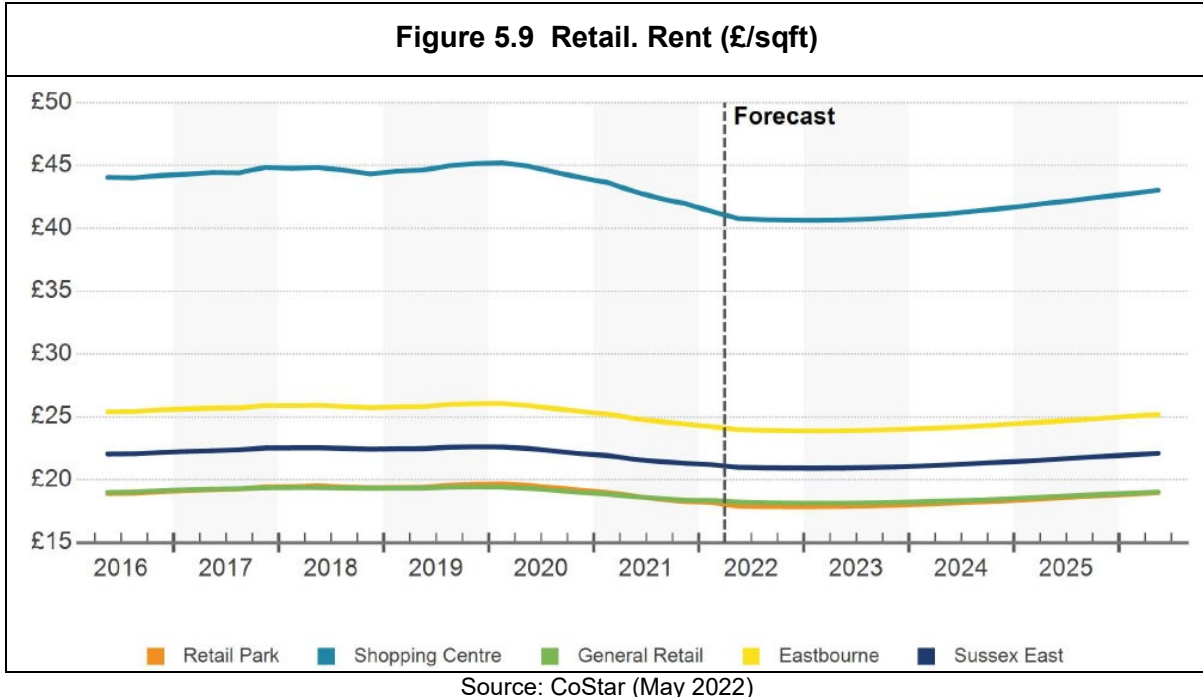
5.32 CoStar reports average sales prices of £616.76/m² (£57.6229/sqft), with a median being higher at £823.44/m² (£76.50/sqft).

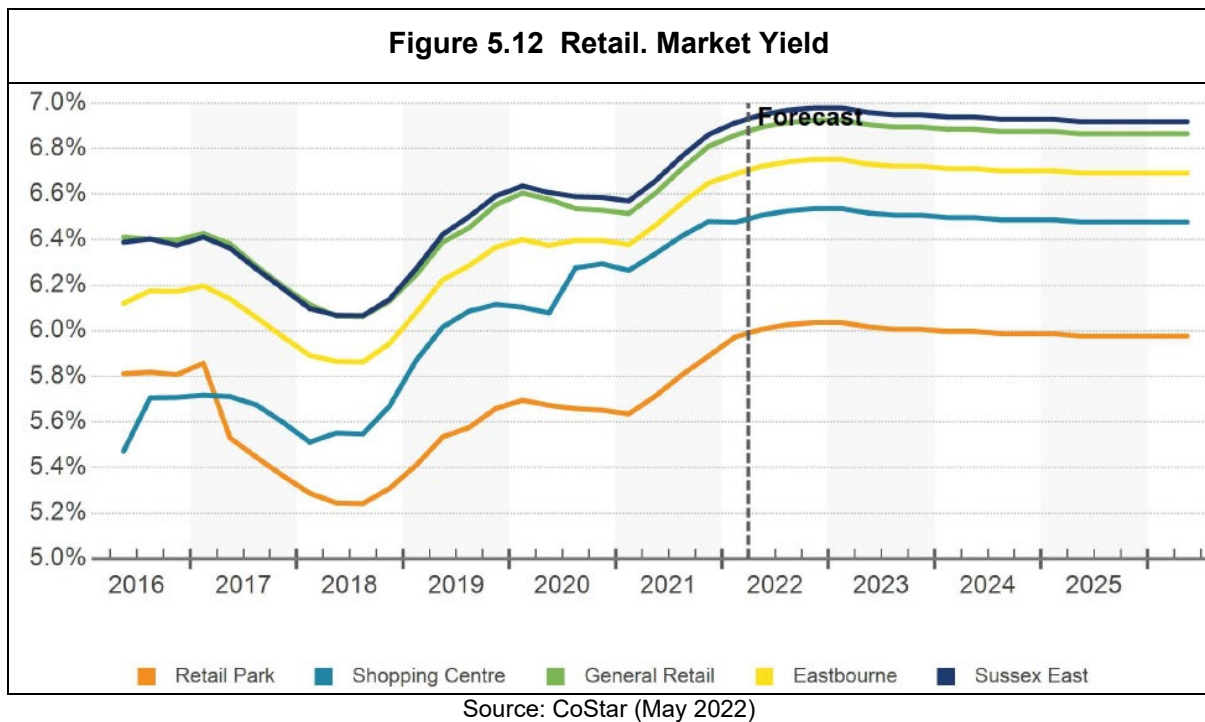
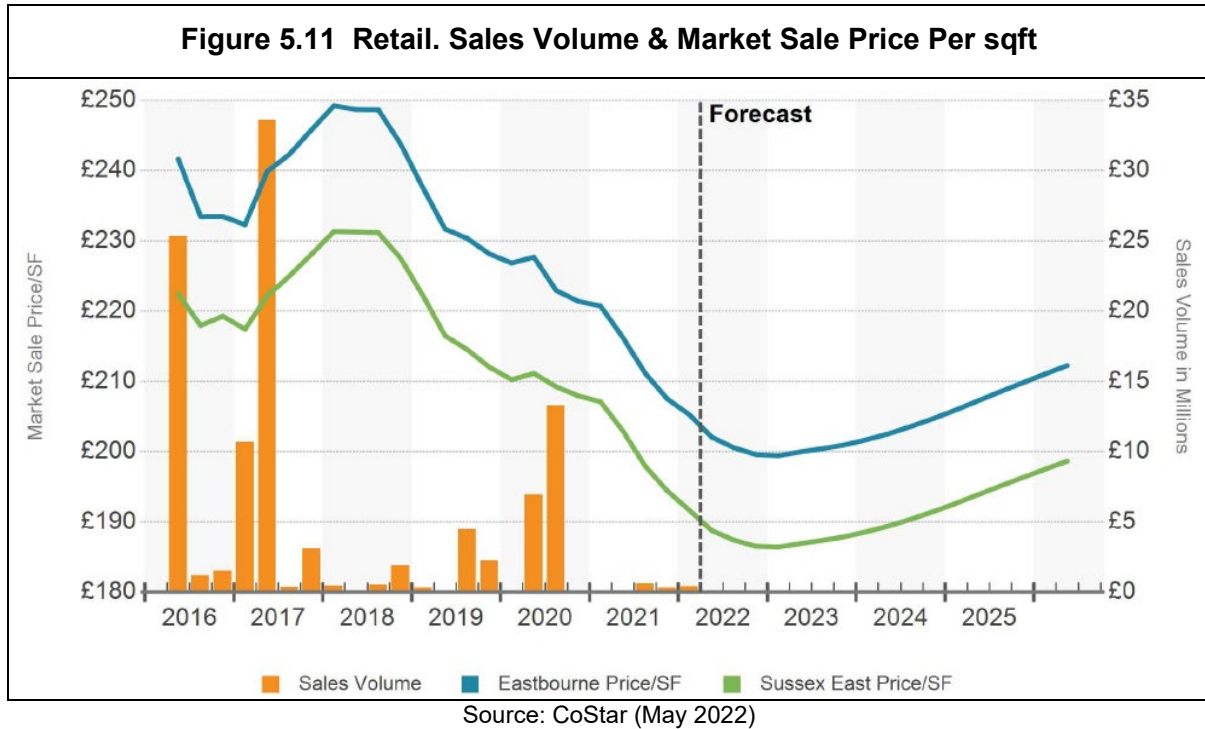
- 5.33 Looking at Distribution/Logistics specifically, CoStar presents an average rent of £96.65/m²/year (£8.98/sqft/year) and yield of 6.2%.
- 5.34 Based on the evidence available our view prior to the consultation event was that £50/m² in rent could be achievable for general industrial units and on this basis new industrial development would have a value of £600/m² with a yield of 9% (having allowed for a rent free / void period of 24 months). Whereas logistics and distribution could achieve higher rents £90/m²/year and yield of 6.5% which generates a value of approximately £1,400/m². This reflects the increase in demand for this premises type.

Retail

- 5.35 Even before the Coronavirus pandemic, the retail market was in a period of particular uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered a Company Voluntary Arrangements (CVA)³⁶. The value of shopping centres in particular has been put under pressure and is less attractive to investors than it was just a few years ago. Various restaurant and dining chains have announced closures or restructuring and the banking sector has also closed branches on High Streets nationwide.
- 5.36 According to the Eastbourne Retail Submarket Report (CoStar, May 2022), retail vacancies in Eastbourne were above the five-year average during the second quarter of 2022, and they trended upwards in the past year. The rate also sits above the overall market's average. Meanwhile, rents have collapsed in the past year, tumbling 3.8%. The development lull presses on in Eastbourne. Nothing is underway, and nothing has delivered over the past three years. Retail investors are reasonably active in Eastbourne, and deal flow over the past year largely continued along that course. Market pricing sits at £199/SF, which is above the average pricing in Sussex East.
- 5.37 Bearing in mind the gloomy picture that can be taken from the above, the CoStar data shows a decrease in rents and rise in vacancies over the last 5 years.

³⁶ A CVA is a legally binding agreement with a company's creditors. As part of the process companies (subject to the circumstances) may be able to renegotiate the terms of a lease.





5.38 The retail market is segmented with the core areas of Eastbourne achieving higher rents than secondary retailing areas. A review of leases from the previous four years found the following rents per square metre per annum:

Table 5.6 Retail Rent				
<u>£/m²/Year</u>	Median	Mean	Max	Minimum
Retail	204.17	242.24	889.85	16.04

Source: CoStar (December 2022)

5.39 A review of the sales found the following values and yields:

Table 5.7 Retail Values and Yields		
<u>Values £/m²</u>	Median	Mean
Retail	1,030.32	1,224.60
<u>Net Initial Yield</u>	Median	Mean
Retail	6.47	7.22

Source: CoStar (December 2022)

- 5.40 Rents for the best central locations are currently over £200/m²/year (£18.58 sqft/year)³⁷. An average yield of 6.9% is reported by CoStar. This is broadly in line with the upper values reported by CoStar. Prior to the consultation event we had assumed a yield of 7% and rent of £190/m² with a value assumption of £2,700/m².
- 5.41 The rents for shops vary greatly, particularly as one moves away from the best locations into the secondary situations where rents are normally in the range of £140/m²/year (£13/sqft/year), although yields are assumed to be higher at around 9% to give a value of ~£1,600/m² (£148/sqft) or so.
- 5.42 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the EBC area, however drawing on our wider experience we have assumed supermarket rents of £220/m²/year (£20.43/sqft/year) with a yield of 6% to give a value of £3,700/m² (£343/sqft). This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators.
- 5.43 As well as mainstream supermarkets, we have considered the smaller units developed by operators such as Lidl and Aldi, in this case we have assumed a rent of £200/m²/year (£18.60/sqft/year) and a 6.5% yield to give a value of £3,100/m² (£288/sqft).
- 5.44 In the case of retail warehouses, there has been a change within the market over the last few years with a move towards more smaller stores on the out of town retail parks. Rents of around £180/m²/year (£75/sqft/year) are being reported by CoStar with some anecdotal evidence that some rents may be higher. However, there is no firm evidence to support such high assumptions in Eastbourne and whilst little such development is planned it may be that

³⁷ These rents are calculated over the whole building area rather than just the sales area.

some of the existing out of town / retail warehouse space could be redeveloped/repurposed. We have assumed a rent of £180/m²/year (£16.70/sqft/year) and a yield of 6% giving a value of £3,000/m² (£278/sqft) (allowing for a 2 year rent free / void period).

Hotels

- 5.45 For the hotel sector, a rental of £4,500/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 5.5%, this equates to a value of about £3,000/m² (£278/sqft). It is important to note that this study is only concerned with newbuild hotels³⁸.

Appraisal Assumptions

- 5.46 The following assumptions were presented as part of the initial consultation with local stakeholders:

Table 5.8 Pre-Consultation Commercial Values £/m² 2022					
	Rent £/m ²	Yield	Rent free period		Assumption
Offices	£225	6.5%	2.0	£3,461	£3,400
Industrial	£50	9.00%	2.0	£555	£600
Logistics & Distribution	£90	6.50%	2.0	£1,384	£1,400
Retail – Town Centre	£190	7.00%	2.0	£2,714	£2,700
Retail (elsewhere)	£140	9.00%	1.0	£1,555	£1,600
Large Supermarket	£220	6.00%	1.0	£3,666	£3,700
Small Supermarket	£200	6.50%	2.0	£3,076	£3,100
Retail warehouse	£180	6.00%	2.0	£3,000	£3,000
Hotel (per room)	£4,500	6.00%	0.0	£3,036	£3,000

Source: AECOM

- 5.47 Following the 18th May 2022 viability consultation workshop, attendees highlighted a series of property market reports prepared by SHW on behalf of Locate East Sussex. The information in the reports is taken from data that SHW have assembled on a quarterly basis for their property market reports and also reflects conversations with the SHW retail, office and industrial/logistics agency surveyors who cover the East Sussex area. This is supplemented with data obtained from the Locate East Sussex website as well as from the local press and media websites which cover East Sussex. The following reports have been reviewed following the May consultation event:

³⁸ 60 rooms x £4,500 = £270,000. 6% yield = £4,500,000. 60 rooms @19m² + 30% circulation space = £3,000/m²

- Final Room to Grow Report 2 (June 2021)³⁹
- Property Bulletin Q2 (June 2022)
- Property Bulletin Q3 (September 2022)⁴⁰

5.48 The Room to Grow reports includes trend based data for office and industrial rents in Eastbourne going back to 2001 (extracts below):

Table 5.9 Office and Industrial Rental Trends £ Per sq. ft 5,000 sq. ft or more [£/m2 shown in brackets]									
	Grade A			Grade B			Grade C		
	2001	2011	2021	2001	2011	2021	2001	2011	2021
Eastbourne Office	£12/sq.ft [£129/m ²]	£14 [£151]	£16 [£172]	£7.50 [£81]	£7 [£75]	£12 [£129]	£6 [£65]	£6 [£65]	£8 [£86]
Eastbourne Industrial	£6 [£65]	£7.50 [£81]	£10 [£108]	£5 [£54]	£6 [£65]	£8 [£86]	£3.75 [£40]	£5 [£54]	£7 [£75]

Source: SWH

5.49 The Room to Grow report does not include retail rental trends data but notes the following about the East Sussex retail market:

The change in planning to Class E has certainly assisted and we now see more Doctors, Dentists and welfare operators enquiring about where they would not normally do so. There has also been an upsurge in Leisure and Food requirements...Some new concepts are appearing on the retail scene, for example there are currently requirements for town centre space where the company delivers groceries to your door in a very short time frame as per Just Eat but for groceries...The smaller independent Cinema and independent food operators are all coming into the market and looking at some of the larger spaces that they can carve out the space they need...The main points to consider is to keep the 'dwell time' of shoppers up for the Centres giving people an excuse to stay. Therefore, flexibility will be the key to allowing new businesses in and shorter leases of 3-5 years will become more normal than they are at present...The other aspect that needs to be looked at carefully is attracting a higher skilled workforce. This will transfer in to more spend per head and thus the vitality of the High Street for both the shopkeepers and leisure providers.

5.50 In reviewing the two most recent Property Bulletins (June and September 2022) the following Warehouse and Industrial rental trends are reported for Eastbourne between Q4 2021 – Q3 2022:

³⁹ Accessed at: <https://locateeastsussex.org.uk/admin/resources/admin/room-to-grow-report-2.pdf>

⁴⁰ Accessed at: <https://locateeastsussex.org.uk/property-research>

	Grade A			Grade B			Grade C		
	Q4 2021	Q2 2022	Q3 2022	Q4 2021	Q2 2022	Q3 2022	Q4 2021	Q2 2022	Q3 2022
Eastbourne Industrial	£12.50/sq.ft [£135/m ²]	£12.50 [£135]	£12.50 [£135]	£8.50 [£92]	£10 [£108]	£10 [£108]	£7.50 [£81]	£8 [£86]	£8 [£86]

Source: SWH

5.51 With regards to the office and retail markets, the Q3 (September) Property Bulletin reports:

The level of office rents in East Sussex generally do not justify new office development schemes, as rents of £28-£30 per sq ft [£301-£323/m²] would be need to be achieved to make these financially viable. Therefore, to retain offices within town centres, more effort and investment will be needed to retain existing offices, by ensuring that these are fit for purpose as well as being appealing to office staff.

There have not been any significant retail or leisure transactions in the last 3 months. The rents for primary retail remaining in Eastbourne at £70-£80 per sq ft [£754-£861/m²] Zone A dropping off to £35 per sq ft [£377/m²] Zone A for secondary retail.

5.52 A review of the Locate East Sussex commissioned property research (in addition to new transactions and leases recorded on CoStar May 2022 – December 2022) has informed an uplift to the industrial rent assumptions, all other assumptions remain the same:

	Rent £/m ²	Yield	Rent free period		Assumption
Offices	£225	6.5%	1	£3,250	£3,050
Industrial	£85	6.5%	2	£1,153	£1,155
Logistics & Distribution	£135	6.00%	2	£2,250	£2,250
Retail – Town Centre	£190	7.0%	2	£2,371	£2,375
Retail (elsewhere)	£140	9.0%	2	£1,309	£1,310
Large Supermarket	£220	6.0%	2	£3,459	£3,460
Small Supermarket	£200	6.0%	1	£3,145	£3,150
Retail warehouse	£180	6.0%	2	£2,670	£2,670
Hotel (per room)	£4,500	5.5%	0	£3,312	£3,315

Source: AECOM

6. Land Values

- 6.1 Chapters 2 and 3 set out the background to, and the methodology used, in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.
- 6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to its use, and will range considerably from site to site. As this is a high-level study, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.
- 6.3 In this context it is important to note that the PPG says (at 10-016-20180724) that *the ‘Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments’*. It is therefore necessary to consider the EUV as a starting point.
- 6.4 In the CIL Review Valuation Study (Draft) (HEB, July 2018) the following Land Value Assumptions were used:

Table 6.1 2018 Land Value Assumptions	
	£ Per HA
Industrial Land	1,000,000
Office Land	865,000
Food Retail Land	3,200,000
General Retail Land	1,850,000
Residential Institution Land	650,000
Hotel Land	865,000
Community Use Land	650,000
Leisure Land	865,000
Agricultural Land	20,000
Sui Generis Land	
Car Sales	1,000,000
Sui Generis Land	
Vehicle Repairs	1,000,000

CIL Review Valuation Study (Draft) (HEB, July 2018)

Existing Use Values

- 6.5 To assess development viability, it is necessary to analyse Existing and Alternative Use Values. EUV refers to the value of the land in its current use before planning consent is granted, for example, as agricultural land. AUV refers to any other potential use for the site, for example, a brownfield site may have an alternative use as industrial land.
- 6.6 The updated PPG includes a definition of land value as follows:

How should land value be defined for the purpose of viability assessment?

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

PPG: 10-013-20190509

What is meant by existing use value in viability assessment?

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

PPG: 10-015-20190509

- 6.7 The land value should reflect emerging policy requirements and planning obligations. The value of the land for a particular typology (or site) needs to be compared with the EUV. If the Residual Value does not exceed the EUV, plus the Landowner's Premium, then the development is not viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit/return having paid for the land, then there is scope to make developer contributions. For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.
- 6.8 The 'model' approach is outlined below:
- i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.

- ii. For paddock and garden land on the urban fringe, a 'paddock' value is adopted. This is assumed for greenfield sites of less than 0.5ha.
- iii. Where the development is on brownfield land or previously developed land (PDL), we have assumed an industrial value.

Residential Land

6.9 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*⁴¹. This was prepared by the Valuation Office Agency (VOA) and sets out land values at April 2019. The Eastbourne BC figure is £3,750,000/ha⁴². This figure assumes nil affordable housing. As stressed in the paper, this is a hypothetical situation and *'the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market'*.

6.10 There are few larger development sites being marketed in the area however there are a number of small development sites being marketed in the area (within 10 miles of Eastbourne) at the time of this study. There are relatively few sites for sale in the Borough, so it has been necessary to look beyond the Borough boundaries:

⁴¹ <https://www.gov.uk/government/publications/land-value-estimates-for-policy-appraisal-2019>

⁴² The VOA assumed as follows:

- Any liability for the Community Infrastructure Levy (CIL), even where it was planning policy as at 1 April 2019, has been excluded.
- It has been assumed that full planning consent is already in place; that no grants are available and that no major allowances need to be made for other s106/s278 costs.
- The figures provided are appropriate to a single, hypothetical site and should not be taken as appropriate for all sites in the locality.
- In a small number of cases schemes do not produce a positive land value in the Model. A 'floor value' of £370,000 (outside London) has been adopted to represent a figure at less than which it is unlikely (although possible in some cases) that 1 hectare of land would be released for residential development.
- This has been taken on a national basis and clearly there will be instances where the figure in a particular locality will differ based on supply and demand, values in the area, potential alternative uses etc. and other factors in that area.
- Each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available.
- The site will have a net developable area equal to 80% of the gross area (excluding London).
- For those local authorities outside London, the hypothetical scheme is for a development of 35, two storey, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.
- For those local authorities in London, the hypothetical scheme varies by local authority area and reflects the type/scale of development expected in that locality. The attached schedules provide details of gross/net floor areas together with number of units and habitable rooms.

These densities are taken as reasonable in the context of this exercise and with a view to a consistent national assumption. However, individual schemes in many localities are likely to differ from this and different densities will impact on values achievable.

Table 6.2 Development Land Asking Prices

		ha	Units	Asking Price	£/ha	£/unit	
May-22							
Courtlands Road	Eastbourne	1.34	135	£4,600,000	£3,445,693	£34,074	Outline PP for 102 flats and 34 houses. 30% Affordable. Currently trade counter.
Bexhill Road	Ninfield	3.58	65				Outline PP. 35% Affordable.
Park Road	Hailsham	0.27	10	£1,200,000	£4,428,044	£120,000	PP pending. 10 houses.
Sandhurst Lane	Bexhill-On-Sea	0.24	5	£900,000	£3,750,000	£180,000	Replacement of 2 barns with 5 houses.
Whitesmith Lane	Lewes		1	£380,000		£380,000	Modern barn conversion. Subject to planning.
Oct-22							
Ersham Road	Hailsham	0.20	2	£1,400,000	£7,000,000	£700,000	Large detached house plus planning for 2 detached houses
Park Road	Hailsham	0.27	10	£1,200,000	£4,428,044	£120,000	PP pending. 10 houses.
Rosewood Park	Bexhill-on-Sea	7.08		£1,100,000	£155,367		No current consent.
Lower Dicker	Hailsham	0.61		£1,250,000	£2,049,180		Existing Bungalow 'with potential'.
Land at 154 Station Road	Hailsham	0.04	12	£1,000,000	£26,315,789	£83,333	Outline planning permission for up to 12 units
Amherst Road	Bexhill-on-Sea	0.05		£2,750,000	£55,000,000		Garages producing £8,400pa
67 Vale Road	Seaford		1	£250,000		£250,000	Single Plot with consent - to be auctioned.
South Coast Road	Peacehaven	0.02	1	£160,000	£7,339,450	£160,000	Single plot with consent. 3 bed chaley style.

Source: Market Survey (Mar 2022 / October 2022)

- 6.11 These prices are asking prices – so reflect the landowner’s aspiration. In setting the BLV the important point is the minimum amount a landowner will accept, rather than their aspiration.
- 6.12 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 9**. The data is summarised in the following table, the amount of affordable housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG). Only the sites for which the data is available are presented here, all sites are included in **Appendix 9**.

Table 6.3 Price Paid for Consented Development Land

	Site	Date approved	Area ha	All Units	Aff Units	Aff %	£/ha	£/unit
131002	Sovereign Harbour	02/12/2014	8.5	150	0	0.0%		
130907	Bedfordwell Road Depot	31/03/2015	2.3	102	24	23.5%	£630,435	£14,216
170527	20 Upperton Road	08/05/2017	0.355	73	0	0.0%	£12,414,669	£60,288
200742	Gate Court Dairy, Waterworks Road	11/01/2022	0.55	60	18	30.0%	£2,545,455	£23,333
170813	7 Upperton Road	05/12/2017	0.23	58	0	0.0%	£35,416,304	£140,444
170819	Former Police Station	13/03/2020	0.12	50	15	30.0%	£9,166,667	£22,000
210485	Woods Cottages, Swanley Close	27/09/2021	1	49	0	0.0%	£1,405,000	£28,673
200565	Esperance Private Hospital	20/04/2021	0.47	45	0	0.0%	£6,063,830	£63,333
160337	St Annes House, 2 St Annes Road	05/05/2016		35	0	0.0%		£34,857
170156	St Andrews United Reformed Church, Cornfield Lane	12/01/2018	0.18	35	0	0.0%	£6,277,778	£32,286
200168	Berkley House, 26-28 Gildredge Road	07/04/2020		30	0	0.0%		£71,667
180913	Brassey Parade	28/08/2019	0.18	29	0	0.0%	£7,416,667	£46,034
190626	54 and 56 Upperton Road	26/05/2021	0.1	29	0	0.0%	£14,600,000	£50,345
171333	Heatherleigh Hotel, Royal Parade	17/04/18	0.93	24	0	0.0%	£1,989,247	£77,083
200280	15-21 Hartington Place	03/12/2020	0.08	21	0	0.0%	£15,625,000	£59,524
151134	Courtlands Hotel, Wilmington Gardens	24/02/2016	0.11	21	0	0.0%		

200178	Chantry House, 22 Upperton Road	03/04/2020	0.29	18	0	0.0%	£5,086,207	£81,944
210683	63 - 67 Terminus Road	08/10/2021	0.125	18	0	0.0%	£37,951,807	£262,500
181058	Spring Mead	08/11/2019	0.299	17	0	0.0%	£6,688,963	£117,647
180985	Kempston	15/07/2019	0.12	16	0	0.0%		
200205	Land at Sandpiper Walk	07/10/2020	0.27	16	0	0.0%	£2,555,556	£43,125
180352	Savoy Court Hotel	08/07/2019	0.04	15	0	0.0%	£13,750,000	£36,667
190665	Southdown Hotel, 1-3 Howard Square	16/12/2020	0.085	15	0	0.0%	£11,764,706	£66,667
200322	21 - 25 Gildredge Road	24/02/2021	0.05	15	0	0.0%	£17,629,200	£58,764
190919	145a Ashford Road	10/01/2020		13	0	0.0%		£44,231
200402	183 Langney Road	04/02/2021	0.03	12	12	100%*	£12,833,333	£32,083
170224	84-90 Northbourne Road	07/07/2017	0.15	12	12	100%*	£1,666,667	£20,833
190824	Glebe Cottage	25/06/2020	0.12	11	0	0.0%	£9,333,333	£101,818
170801	Veritek House, Edgeland Terrace	24/07/2017	0.148	11	0	0.0%	£3,590,786	£48,182
200289	Langney Shopping Centre Car Valet	14/08/2020	0.28	11	0	0.0%	£1,928,571	£49,091
150598	Map House 36- 38 St Leonards Road	04/08/2015	0.072	10	0	0.0%	£8,041,958	£57,500
170036	Central Methodist Church, Langney Road	05/01/2018	0.114	10	0	0.0%	£5,701,754	£65,000
170928	125 Langney Road (Coda Bar)	24/01/2018	0.07	10	0	0.0%	£8,357,143	£58,500
180476	Albany Lions Hotel, 41-43 Grand Parade	04/07/2019	0.14	10	0	0.0%	£4,964,286	£69,500
161448	2 Mill Gap Road	21/06/2017	0.33	10	0	0.0%	£4,393,939	£145,000

Source: EBC and Land Registry (May 2022) (The blanks in the table are where this source does not include data.) * EBC 100% affordable housing site.

6.13 These values are on a whole site basis (gross area). The average is about £9,000,000/ha (median £6,700,000/ha) or £65,000/unit (median £58,000/unit) however this includes some notable outliers and Prior Approval Schemes (conversions with no affordable housing) and relatively few schemes that provided affordable housing. Of the schemes that provided affordable housing, including those below the policy compliant level, the average is about £6,400,000/ha (£42,000/unit). Data is not available for any larger greenfield sites, as such sites have not been released for development recently.

6.14 In considering the above, the PPG 10-014-20190509 says:

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

6.15 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (nor the average of prices paid).

6.16 In relation to larger sites, and, in particular, the larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes, we have assumed a BLV of the value of industrial land.

Previously Developed Land

6.17 Land value estimates for policy appraisal provides the following values:

Table 6.4 Employment Land Values		
Industrial Land – Eastbourne BC	£/ha	£1,200,000
	£/acre	£485,000
Commercial Land: Office Edge of City Centre (Brighton & Hove)	£/ha	£1,200,000
	£/acre	£485,000
Commercial Land: Office Out of Town – Business Park (Brighton & Hove)	£/ha	£1,750,000
	£/acre	£710,000

Source: Land value estimates for policy appraisal (MHCLG, August 2020)

- 6.18 It is important to note that Brighton & Hove is generally a stronger market than Eastbourne so should be given limited weight.
- 6.19 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**, although the sample size is limited. This limited evidence aligns with that set out in the above table.
- 6.20 A figure of £1,500,000/ha is assumed for industrial land.

Agricultural and Paddocks

- 6.21 *Land value estimates for policy appraisal* (MHCLG, August 2020) provides a value figure for agricultural land in the area of £25,000/ha. We have checked this assumption:
- a. Savills' *The Farmland Market*⁴³ reports a figure of £8,390/acre (£20,700/ha) for the South East.
 - b. Strutt and Parker's *English Estates & Farmland Market Review Autumn 2021*⁴⁴ suggests a value of 7,800/acre (£19,275/ha) in the South East.
 - c. Knight Fank's *Farmland Index Q2 2022*⁴⁵ suggests average values of £20,237/ha.
 - d. Carter Jonas' *Farmland Market Update*⁴⁶ reports:

Average arable land values across England and Wales rose to £8,994 per acre in Q2 2022, a steady increase of 0.6% against Q1 2022. When compared to Q2 2021, values have seen an increase of 5.0%. Average pasture land values have grown slightly faster over the quarter, rising by 1.3% to £7,358 per acre in Q2.

⁴³ [spotlight--the-farmland-market-2022.pdf \(savills.co.uk\)](https://www.savills.co.uk/spotlight--the-farmland-market-2022.pdf)

⁴⁴ [English-Farmland-Market-Review-Q3-Autumn-2021 compressed.pdf \(struttandparker.com\)](https://www.struttandparker.com/English-Farmland-Market-Review-Q3-Autumn-2021-compressed.pdf)

⁴⁵ [English Farmland Index - Q2 2022 | Knight Frank Research](https://www.knightfrank.com/research/English-Farmland-Index-Q2-2022)

⁴⁶ [Farmland Market Update Q2 2022 | Carter Jonas](https://www.carterjonas.com/Farmland-Market-Update-Q2-2022)

- 6.22 For agricultural land, a value of £21,000/ha is assumed to apply here.
- 6.23 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha is used for sites of up to 0.5ha on the edge of the built-up area.

Existing Use Value Assumptions

- 6.24 In this assessment the following Existing Use Value (EUV) assumptions are used. These are applied to the gross site area.

Table 6.5 Existing Use Value Land Prices - 2022	
PDL	£1,500,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha
Residential	£4,000,000

Source: HDH (May 2022)

Benchmark Land Values

- 6.25 The setting of the Benchmark Land Values (BLV) is one of the more challenging parts of a plan-wide viability assessment. The updated PPG makes specific reference to BLV, so it is necessary to address this. As set out in Chapter 2 above, the updated PPG says:

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including

planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

PPG 10-014-20190509

6.26 With regard to the landowner's premium, the PPG says:

How should the premium to the landowner be defined for viability assessment?

The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

PPG 10-016-20190509

6.27 In this pre-consultation iteration of this viability assessment, the following Benchmark Land Value assumptions are used (these are applied on a gross site area):

- a. Brownfield/Urban Sites: EUV Plus 20%.
- b. Greenfield Sites: EUV Plus £350,000/ha.

6.28 Through the Summer 2022 consultation a non-residential developer noted as follows:

The Benchmark Land Value for commercial land is always a difficult consideration as GDV of commercial schemes is generally lower, in our experience the approach taken of considering viability in an EUV plus approach and applying the same BLV to both commercial and residential schemes is correct as the impact upon the landowner in selling their land is the same for both uses, without taking this approach it is unlikely that policies would result in willing sellers emerging for commercial land uses.

6.29 This is accepted.



7. Development Costs

- 7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies.

Development Costs

Construction costs: baseline costs

- 7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the EBC area. The cost figure for ‘Estate Housing – Generally’ was £1,484/m² (and the costs for Flats - Generally is £1,719/m²), at the time of the June 2022 consultation⁴⁷. The equivalent figure has increased by about 2.7%, and is now £1,524/m² (and the costs for Flats - Generally is £2,105/m²) (**Appendix 11**). The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve savings due to their economies of scale.
- 7.3 As set out in Chapter 2 above, the Government recently published Part L of Regulations following the consultation on ‘The Future Homes Standard’. This is linked to achieving the ‘net zero’ greenhouse gas emissions by 2050. This is considered in Chapter 8 below, together with the options that the Council is considering in this regard.
- 7.4 The appropriate build cost is applied to each house type, with the cost of Estate Housing Detached being applied to detached housing, the costs of flats being applied to flats and so on. Appropriate costs for non-residential uses are also applied. The lower quartile cost is used for schemes of over 200 units where economies of scale can be achieved, and the median cost is used for smaller schemes.
- 7.5 Several comments were made through the May 2022 consultation in this regard.
- That the costs of construction are increasing and this needs to be reflected in the study. This is agreed. The latest costs are used in this iteration of the report. In addition, sensitivity testing is carried out.
 - That the BCIS costs may understate the costs of construction. The BCIS costs reflect typical current build costs. They do not yet pick the increased costs connected with the increases in Part L of Building Regulations. As set out in Chapter 8 below, allowance is made in this regard.
 - Most of the development sites are small, so there is limited scope for economies of scale to be achieved. Further, most planned development is likely to be flatted

⁴⁷ 7th May 2022

development. Again, this is agreed. The BCIS median cost is used on most sites and adjustments are made to the additional costs often associated with brownfield development.

- 7.6 In this regard the Council suggested that the BCIS cost may understate development costs by 30%. No supporting evidence was provided in this regard. The PPG suggests the use of the BCIS data, so this forms the basis of this report.

Other normal development costs

- 7.7 In addition to the BCIS £/m² build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.

- 7.8 Nevertheless, it is possible to generalise. Drawing on experience, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently – larger greenfield sites tend to have lower net developable areas, so more land requires work.

- 7.9 A scale of allowances for site costs has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes within the urban area, to 15% for the larger greenfield schemes and non-residential development.

- 7.10 Through the May 2022 consultation reference was made to ‘facilitation and external works costing about £205/m². This would be about 13% on a housing scheme and about 10% on a flatted scheme. This cost included an element of ‘abnormal cost’ for car park removal and levels, so suggest that the assumption used may be a little high. In line with the comments made it is agreed that requirements for Air Source Heat Pumps, green roofs and the like may further add to the costs of development.

- 7.11 Detached houses are modelled with garages.

Abnormal development costs and brownfield sites

- 7.12 With regard to abnormal, paragraph 10-012-20180724 of the PPG says:

... abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value ...

- 7.13 This needs to be read with paragraph 10-014-20180724 of the PPG that says that:

Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and ...

- 7.14 The consequence of this, when considering viability in the planning, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e. deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.
- 7.15 This approach is consistent with the treatment of abnormals that was considered at Gedling Council's Examination in Public. As set out in Gedling, it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

... demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.

- 7.16 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs.
- 7.17 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

- 7.18 For residential and non-residential development, we have assumed professional fees amount to 8% of build costs to include cost of preparing the planning application and land promotion. Separate allowances are made for planning fees, acquisition, sales and fees.

Contingencies

- 7.19 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites, and the 2.5% figure on the remainder.

S106 Contributions and the costs of strategic infrastructure

- 7.20 EBC has adopted CIL. The costs are set out in Chapter 8 below. In addition, the Council seeks Developer Contributions, for strategic infrastructure and mitigation, under the s106

regime, in line with restrictions set out on CIL Regulation 122, these are treated separately from abnormal costs. Additional costs are allowed for, as set out in Chapter 8 below.

Financial and Other Appraisal Assumptions

VAT

- 7.21 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full⁴⁸.

Interest rates

- 7.22 In the pre-consultation iteration of this assessment, it was assumed that interest would accrue at 6% p.a. for total debit balances (to include interest and associated fees), we have made no allowance for any equity provided by the developer. This assumption has now been increased to 7.5%. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.
- 7.23 Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.
- 7.24 The assumption of 7.5%, is an 'all-in cost' to cover interest rate and associated finance fees, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest, particularly on the larger schemes, as most developers are required to put some equity into most projects. In this study a cautious approach is being taken.

Developers' return

- 7.25 An allowance needs to be made for developers' return and to reflect the risk of development. As set out in Chapter 2 above, this is an area of significant change since the Council's earlier viability work that was used to support CIL. Paragraph 10-018-20190509 of the updated PPG now sets out the approach to be taken and says:

⁴⁸ VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an Appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

How should a return to developers be defined for the purpose of viability assessment?

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

- 7.26 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.
- 7.27 Broadly there are four different approaches that could be taken:
- a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.
 - b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.
 - c. To set the rate relative to costs – and thus reflect the risks of development.
 - d. To set the rate relative to the gross development value.
- 7.28 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.
- 7.29 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.30 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing*'. In this assessment, the developers' return is assessed as 17.5% of the value of market housing and a 6% is applied to the value affordable housing. Additionally, 17.5% is applied to First Homes as the sales risk lies with the developer.

7.31 Initially a 15% return was assumed for non-residential development, and Build to Rent. Through the summer 2022 consultation a respondent noted as follows:

***Developer margins – 7.26 & 7.27. 15 to 20%.** In my experience most specialist development finance providers will want to see a minimum of a 20% return for any prospect they are lending against. 23% plus is not uncommon. I can appreciate larger house builders will work to lower margins but, again given our land constraints within the town many sites will be delivered by smaller developers, risks are higher, and funders will want to see higher returns in the appraisals.*

7.32 It is important to appreciate that this is an assessment for planning purposes, as set per the requirements of the PPG, rather than for lending purposes. As mentioned under the Interest heading above, we have made no allowance for any equity provided by the developer so this does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites. The cushion within the appraisals to protect a developer's lender against changes in the market or costs will depend on a wide range of factors, including how much equity the developer in providing (the loan to value ratio), the borrower's track record and the complexity of the project. It is appropriate to work within the guidance of the PPG.

7.33 In relation to non-residential development, it was suggested that, as Eastbourne is not a prime market, that 15% is not sufficient and 20% should be used. This assumption has been increased to 17.5%.

Voids

7.34 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks, this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.35 For the purpose of the present study, a three-month void period is assumed for residential developments.

Phasing and timetable

- 7.36 A pre-construction period of six months (from site acquisition, following the grant of planning consent) is assumed for all of the sites. Each dwelling is assumed to be built over a nine-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The rate of delivery will be an important factor when considering the allocation of sites so as to manage the delivery of housing and infrastructure. Two aspects are relevant, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet may deliver.
- 7.37 A delivery rate of 50 units per outlet per year is assumed for large sites. On a site with 40% affordable housing this equates to 40 market units per year. On the smaller sites, we have assumed slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly. These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

Site Acquisition and Disposal Costs

Site holding costs and receipts

- 7.38 Each site is assumed to proceed immediately (following a 6-month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

Acquisition costs

- 7.39 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and 0.5% legal fees.
- 7.40 Stamp duty is calculated at the prevailing rates.

Disposal costs

- 7.41 For market and for Affordable Housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of affordable housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this. 2.5% sales and marketing cost is assumed in relation to non-residential development.



8. Planning Policy Requirements

- 8.1 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the *Eastbourne Core Strategy Local Plan* (February 2013) and other extant policy documents. At the time of this pre-consultation draft report (May 2022) the Council has not developed a full set of policies as that will, in part, be informed by the wider evidence base, including this assessment. The Council completed a consultation in the options available through the Regulation 18 Consultation, *Eastbourne's Direction of Travel: Issues and Options for The Eastbourne Local Plan* in November 2019.
- 8.2 As set out at the start of this assessment, this early viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.
- 8.3 In this report we have reviewed the options set out in *Eastbourne's Direction of Travel: Issues and Options for The Eastbourne Local Plan* (November 2019) using the same 6 key themes:
- a. Carbon Neutrality
 - b. Prosperous Economy
 - c. Quality Environment
 - d. Thriving Communities
 - e. Housing & Development
 - f. Effective Infrastructure
- 8.4 We have also had regard to the Council's policy options and changes in national policy.
- 8.5 It is important to note that at this stage, some of the options that are considered, are included for completeness and that these are simply options that may or may not be progressed into the new Local Plan.

Carbon Neutrality

- 8.6 The Department of Levelling up, Communities and Housing, has now published the latest revision to Conservation of Fuel and Power, Approved Document L of the Building Regulations as a 'stepping stone' on the pathway to Zero Carbon homes. It sets the target of an interim 31% reduction in CO₂ emissions over 2013 standards for dwellings. The changes will apply to new homes that submit plans after June 2022 or have not begun construction before June 2023. It is assumed to apply to all new homes in this assessment.

- 8.7 The costs will depend on the specific changes made and are considered in Chapter 3 of the 2019 Government Consultation⁴⁹. This suggests that the costs, having been indexed, would add about 3%⁵⁰ to the base cost of construction.
- 8.8 The revisions to Approved Document L are a step towards the introduction of the Future Homes Standard in 2025. While precise details of the Future Homes Standard are yet to be published, the 2019 Government Consultation anticipated that it would achieve a 75% to 80% improvement reduction in CO₂ emissions over 2013 standards for dwellings. There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction.
- 8.9 *A report for the Committee on Climate Change The costs and benefits of tighter standards for new buildings, Final report 2019* (Currie & Brown, February 2019) did set out the costs of a range of standards, but these are not comparable on a like for like basis. Additionally, the Government consultation was informed by the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018). This report suggested:
- a. The costs of reducing emissions by 10% on-site with no requirement for energy efficiency beyond the Part L 2013 (assuming gas heating), to be less than 1% of the build costs with a 20% reduction to add about 2% to the costs of construction⁵¹.
 - b. The cumulative costs over Part L 2013 for certified Passivhaus is about:
 - i. £12,000 per detached house (based on 117m², £103/m² or an additional 7.6% in costs).
 - ii. £7,100 per terraced house (based on 84m², £85/m² or an additional 5.8% in costs).
 - iii. £2,750 per low rise flat (based on 70m², £39/m² or an additional 2.9% in costs).
 - c. The cost of Zero Regulated Carbon⁵² and Zero Regulated and Un-Regulated Carbon⁵³ is set out as follows:

⁴⁹ The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019).

⁵⁰ BCIS March 2022 409.0 from BCIS Oct 2018 354.2 = 15.5%. £3,134x15.5%+£3,620. £3,620/85m² = £42.60/m². £42.60/m² / BCIS Estate Housing £1,324 = 3.2%

⁵¹ Figure 4.10.

⁵² Regulated energy use is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (e.g. for ventilation).

⁵³ Unregulated energy use is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (e.g., TVs, kettles, toasters, IT, etc). The quantity of unregulated energy

Table 8.1 Cost of On-Site Carbon Reduction							
	Carbon Saving	Zero Regulated Carbon			Zero Regulated and Un-Regulated Carbon		
		% Uplift	£/m ²	£/home	% Uplift	£/m ²	£/home
Gas Heated							
Detached	79%	6.2%	£84	£9,900	9.2%	£124	£14,500
Semi Detached	56%	5.6%	£84	£6,800	8.7%	£126	£10,600
Terraced	59%	6.0%	£82	£6,900	9.4%	£126	£10,600
Low Rise Flat	34%	6.7%	£91	£6,400	10.2%	£137	£9,600
Medium Rise Flat	24%	3.5%	£87	£4,400	5.4%	£136	£6,800
Air Sourced Heat Pump Heated							
Detached	95%	6.4%	£86	£10,100	9.3%	£126	£14,700
Semi Detached	69%	6.8%	£99	£8,300	9.9%	£144	£12,100
Terraced	72%	7.4%	£100	£8,400	10.7%	£144	£12,100
Low Rise Flat	48%	6.9%	£93	£6,500	10.3%	£139	£9,800
Medium Rise Flat	32%	3.8%	£96	£4,800	5.8%	£144	£7,200

Source: Table 4.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

8.10 A report⁵⁴ commissioned by Lancaster City Council includes a more recent assessment of costs. These are summarised as follows:

in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

⁵⁴ Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

Table 8.2 Building standard costs £per sqm and percentage uplift on dwelling build cost

Type	Size	Unit cost £ / unit				£/sqm cost				BCIS £/sqm	Uplift			
		Part L 2021	Future homes	PH classic	PH plus*	Part L 2021	Future homes	PH classic	PH plus*		Part L 2021	Future homes	PH classic	PH plus
Terrace	75	£3,300	£9,200	£3,300	£5,925	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Bungalow	85	£3,700	£10,300	£3,600	£6,575	£44	£121	£42	£77	£1,171	4%	10%	4%	7%
Semi	93	£4,100	£11,500	£4,000	£7,255	£44	£124	£43	£78	£1,085	4%	11%	4%	7%
Detached	106	£4,700	£13,000	£4,600	£8,310	£44	£123	£43	£78	£1,085	4%	11%	4%	7%
Detached	120	£5,300	£14,750	£5,250	£9,450	£44	£123	£44	£79	£1,085	4%	11%	4%	7%
Flats	65	£2,813	£7,938	£2,850	£5,125	£43	£122	£44	£79	£1,264	3%	10%	3%	6%
Average										4%	11%	4%	7%	

* The Passivhaus plus figure is Passivhaus classic plus solar - the solar is calculated using the WWA figures of £4,000 for 3KW system for a semi-detached of 114sqm - this works out at £35/sqm

Source: Appendix 3, Lancaster City Council, Climate Change Local Plan review. Policy Response – Decarbonising standards and technology summary report (Three Dragons, Enhabit, February 2021)

8.11 More recently, the Council has commissioned AECOM to undertake some further work in this regard which includes the following assessment of costs. These are summarised as follows:

Table 8.3 Cost of Change For Residential Design Scenarios

Description	Implications	Cost implication	Cost data	Source	Comments
1 Part L 2021 only	Part L 2021 remains in place for whole plan period	N/A - Assume this is the baseline cost		Part L 2021 Consultation Paper Table 8 (see below) suggests average uplift from Part L 2013 of £3,660, so roughly 3% uplift	Assume this scenario is unlikely as the government seem committed to planned change in regulations
2 Part L 2021 and then Part L 2025	Part L 2021 from now until 2026 (assuming transition period) then Part L 2025 thereafter	No or very small uplift due to the removal of PV and WWHR and the addition of ASHP and slightly better fabric.	c0-0.5% uplift	AECOM assumption based on a review of other viability assessments and individual cost assessments of the items removed and added	Impact of removal of gas distribution infrastructure and additional costs associated with higher electrical demands not included
3 Heat pump requirement before Part L 2025	Requirement for all dwellings to install heat pumps ahead of 2025 (so from start of plan period to 2026)	No uplift	No uplift	As above although as only ASHP needed and not the extra fabric measures assume no uplift	Costs associated with additional design costs and higher electrical demands associated with use of ASHP not included.
4 Requirement for PV	Requirement for all buildings to include PV (either assume minimum or require to maximise)	Additional cost on Part L 2025 <4kWp: £1k per installation (Part L 2021 assumes PV in notional) Min: Assume average of 3kWp per house and 1.5kWp per flat (share of larger array) Max: Assume average of 6kWp per house and 3kWp per flat (share of larger array)	<4kWp: £1k per installation plus £800 per kWp, >4kWp: £1.1k per kWp so assume: Min: c2% uplift houses, c1% flats Max: c4% uplift houses, c2% flats	Table 1b - The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (2019)	Part L 2025 may not need PV to comply therefore assume it won't be used unless there is local requirement in place. Need to take a view on what level to assume here
5 Space Heating Target	Requirement to reduce space heating demand below 30 kWh/m ² /yr	Costs for improvements on to the fabric standards on the Part L 2021 and 2025 reference values	Average £2500 per dwelling for MVHR and improved Air Permeability (so assume c2% uplift)	Based on inclusion of MVHR and Air Permeability improvement using data from: Appendix D Table D2 of https://www.theccc.org.uk/publication/the-costs-and-benefits-of-tighter-standards-for-new-buildings-currie-brown-and-aecom/ (2019)	Part L 2021 likely to achieve around 50-60kWh/m ² /yr space heating demand. Part L 2025 likely to achieve around 40-50kWh/m ² /yr. MVHR and Air Permeability is the obvious option to make an improvement on this (so assumed in costings) and would reduce to 20-30kWh/m ² /yr but other options would be possible with different costs and performance.
6 Maximise building energy performance	Requirement for all dwellings to be constructed to passive house standard or similar	Costs for additional building performance to meet standards plus administration costs	c8% uplift based on Part L 2013 specification (so assume c5% uplift on Part L 2021)	https://www.passivehouse.org.uk/UserFiles/File/research%20papers/Costs%2019%20PH%20Cost%20Summary%20web.pdf	Use adjustment in scenario 1 to return cost to pre Part L 2021 specification levels i.e. Part L 2013 Costs assume passive house but alternative targets and methodologies could be adopted
Notes	* All scenarios apply to domestic only				
	* Assume scenarios 3-6 are on top of scenario 2				
	* Referenced sources of cost data are from 2019				
	* Admin costs (for developer and LA) are not accounted for				

Source: AECOM (October 2022)



- 8.12 The following scenarios are tested, with the following assumptions being made:
- a. The 2021 changes to Part L of Building Regulations (31% CO₂ saving) to add 3% to the BCIS base costs.
 - b. The anticipated 2025 Changes to Part L of Building Regulations (+/- 75% CO₂ saving) are expected to add 0.5% to the 2021 Part L of Building Regulations (31% CO₂ saving), i.e. an additional 3.5% over the BCIS base costs.
 - c. As for (b), but with Air Source Heat Pump (ASHP) - no additional Cost
 - d. Requirement to add photo voltaic solar panels. Add 3% to houses and 1.5% to flats.
 - e. To reduce space heating to below 30kWh/m²/year. Add 2%.
 - f. Requirement for all dwellings to be constructed to passive house standard or similar. Add 5% to 2021 Part L
- 8.13 The Future Builds Standard is being introduced in parallel to the Future Homes Standard. The performance of non-residential development is normally assessed using the BREEAM system⁵⁵. Generally, buildings built to BREEAM Excellent save more than 30% CO₂ and buildings built to BREEAM Outstanding save more than 50% CO₂. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research⁵⁶ by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme, with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent, and this increases the construction costs by 2% or so. This is tested in the base appraisals.
- 8.14 The option that all commercial buildings are built to a Net Zero Carbon standard is somewhat more costly than BREEAM Excellent. In this instance we have assumed that this would be implemented in a similar way to the development under the London Plan. In London, the GLA seeks a 15% reduction in carbon emissions from energy efficiency measures, with a total on-site reduction of 35% and the achievement of Net Zero regulated carbon emissions using allowable solutions, all in comparison to the emissions from a Part L 2013 compliance building with gas heating. In this regard it was estimated that the following costs were identified:

⁵⁵ Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

⁵⁶ *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014.

Table 8.4 Indicative cost uplifts of the potential standards to reduce carbon emissions

Standards	Target	Percentage of construction cost
Energy Efficiency	Minimum carbon reduction of 15%	2%
On site saving	Total carbon reduction of 35%	1%
Allowable solutions	Offset 65% of regulated CO ₂ emissions	2-4%
BREEAM	BREEAM Excellent rating	1-2%

Source: Table 9.1 Centre for Sustainable Energy Cost of carbon reduction in new buildings (Currie & Brown, December 2018)

- 8.15 A paper, *UK Green Building Council, Building the Case for Net Zero (UK GBC, Advanced Net Zero, September 2020)* for Hoare Lea and JLL, considered the cost of Net Zero in two scenarios on a 16 storey city office building. This estimated the additional cost for an ‘intermediate’ scenario to be 6.2% and a ‘stretch’ scenario to be between 8% and 17%.
- 8.16 A paper, *Towards Net Zero Carbon Achieving greater carbon reductions on site - The role of carbon pricing (May 2020)* considered the costs associated with a hotel, a school, and an office building in the context of carbon pricing and a 35% CO₂ saving as per the London Plan. This estimated the additional costs for hotels to be 1.2% to 2.7%, for schools to be 1.1% to 1.7% and for newbuild offices to be 0.8% to 2.1% - although these were only additional construction costs (not whole life costs).
- 8.17 It is clear from a range of data sources that the additional costs will vary depending on the specifics of the building under consideration, however the costs of BREEAM Very Good and BREEAM Excellent are modest. In this assessment non-residential buildings are tested with up to 10% additional costs.
- 8.18 It is timely to note that building to higher standards that result in lower running costs does result in higher values⁵⁷, although no premium is assumed in this study (for either residential or non-residential development).

District Heating

- 8.19 Whilst we are not aware of significant heat sources within Eastbourne at the time of writing, these can be useful sources of renewable energy, particularly from the incineration of waste, or in the form of bio sources. New District Heating Schemes, within the town, are therefore going to require the construction of a central heat plant as well as the distribution network infrastructure.

⁵⁷ See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013.)

- 8.20 There are few published costs of District Heating Schemes in modern estate housing. There are savings to be made from not installing gas and boilers in each unit, but these are more than offset by the costs of laying the heat pipes through the site, heat metering etc. Informal discussions with suppliers suggest that the additional costs may be in the range of £3,000 to £7,000 per unit, which is supported by the limited published data⁵⁸, depending on the size and shape of the project. This has not been included in the base appraisals, but this additional cost has been tested.

Electric Vehicle Charging

- 8.21 EV charging facilities are now a national requirement (from 25th June 2023) of Building Regulations (Approved Document S):

- S1. (1) *A new residential building with associated parking must have access to electric vehicle charge points as provided for in paragraph (2).*
- (2) *The number of associated parking spaces which have access to electric vehicle charge points must be—*
- (a) *the total number of associated parking spaces, where there are fewer associated parking spaces than there are dwellings contained in the residential building; or*
 - (b) *the number of associated parking spaces that is equal to the total number of dwellings contained in the residential building, where there are the same number of associated parking spaces as, or more associated parking spaces than, there are dwellings.*
- (3) *Cable routes for electric vehicle charge points must be installed in any associated parking spaces which do not, in accordance with paragraph (2), have an electric vehicle charge point where—*
- (a) *a new residential building has more than 10 associated parking spaces; and*
 - (b) *there are more associated parking spaces than there are dwellings contained in the residential building.*

- 8.22 It is assumed that all new homes have EV charging points. A cost of £800/unit has been modelled. In relation to high density flatted schemes that do not include full parking provision an allowance of £5,000 per 50 units is made for shared charging facilities.

Car Clubs

- 8.23 Car clubs are mentioned under this heading, although they could equally be included under the Infrastructure heading below. This aspect of policy should also be considered with zero parking schemes.

- 8.24 For the purpose of this assessment, there are two aspects to car clubs. The first is the cost of establishing a car club and the second is the ongoing cost of membership. There are

⁵⁸ *Assessment of the Costs, Performance, and Characteristics of UK Heat Networks* (DoE&CC, 2015) provides some guidance for infrastructure to distribute heat, but not generation.

numerous car clubs across England. Some similar to traditional car rentals and others are more flexible with the ability to drop off cars and pick up cars more flexibly.

- 8.25 There are no published costs for this type of requirement. In this assessment a range of developer contributions are tested.

Prosperous Economy

- 8.26 The proposals in this section are generally enabling policies that do not add to the costs of development.

- 8.27 The exception is in relation to local labour agreements. These have been widely used by EBC for many years to '*require local employment and training measures as part of development proposals, with the objective of improving training and skills in the town for the future economic development of the Borough*'.

- 8.28 Having reviewed several of these we do not believe that these add to the costs of development considered elsewhere in this report, or reduce the attractiveness of completed employment space.

Quality Environment

- 8.29 On the whole, the policies in this section seek to mitigate the harm of development and to ensure high quality design. In themselves, generally they do not add to the costs of development.

Water Management

- 8.30 Sustainable Urban Drainage Systems (SUDS) are often a requirement. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, it is anticipated that new development will be required to incorporate Sustainable Urban Drainage Schemes (SUDS). SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions), and be delivered through soft landscaping within the wider site costs.

Open Space

- 8.31 The Council's requirements are set out in the *Outdoor Playing Space Provision SPD* (July 1999). The requirement is a combination of 2.43ha per 1,000 residents as per The National Playing Fields Association (NPFA) Standard and 1.21ha per 1,000 residents for organised competitive team games playing pitches, which excludes athletics, tennis and bowls, as per the Sport Council Standard from '*Sport in the Community - The Next Ten Years*'.

- 8.32 These are brought together as follows:

A total of 4.5 - 5.0 acres to be provided for each 1000 people in the Borough, (and pro rata for lesser numbers) made up of the following:

- (1) Sports fields/pitches for youth and adult use 1.21 ha (3 acres)per 1000 people based on the Sports Council recommended standard.*
- (2) Children's playspace 0.6 - 0.8 ha (1.5 - 2 acres)per 1000 people based on the NPFA recommended standard,*

8.33 This requirement is based on the following occupancy rates:

- | | | |
|----|-----------------------------|-----------|
| a. | 1 bedroom dwellings | 1 person |
| b. | 2 bedroom dwellings | 2 persons |
| c. | 3 bedroom dwellings | 3 persons |
| d. | 4 or more bedroom dwellings | 4 persons |

8.34 In practice, we understand that the requirements are frequently met off-site through developer contributions.

8.35 In this assessment, the open space standards are included within the modelling of greenfield sites. It is assumed that that the requirement is met off site on brownfield sites. A range of developer contributions (over and above CIL) are tested.

Water Efficiency

8.36 Whilst not a current requirement, in the base assumptions, it is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The cost of reducing the use of water, in line with the enhanced building regulations (110l/day), is modest, likely to be less than £5/dwelling⁵⁹. This cost was based in 2014 so would be indexed⁶⁰ to £7/dwelling.

8.37 The Council is considering rainwater harvesting and greywater recycling. There are few published costs, although figures of £2,000 to £3,000 are frequently quoted⁶¹. The provision of rainwater harvesting requires the capture of rainfall. This is normally done through an underground tank. A second cold water system is then installed. As this is not at 'mains' pressure, this normally utilises a pump and pressure cylinder. This additional cost is not incorporated into the base assumptions.

⁵⁹ Paragraph 285 Housing Standards Review, Final Implementation Impact Assessment, March 2015. Department for Communities and Local Government.

⁶⁰ BCIS Index March 2014 316.3, October 2022 444.9.

⁶¹ For example by the UK Rainwater Harvesting Association.

Biodiversity Net Gain

- 8.38 The Council consulted on a general policy in this regard. National policy has moved forward so the national requirement for 10% Biodiversity Net Gain, as required by the Environment Act, is assumed to apply in the base appraisals.
- 8.39 The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.
- 8.40 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.
- 8.41 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line ‘pre-development’ situation, as a survey will need to be carried out.
- 8.42 The Government’s impact assessment⁶² suggests an average cost of scenarios including where all the provision is on-site and where all is off-site.

⁶² Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

Table 8.5 Cost of Biodiversity Net Gain – South East		
2017 based costs		
	Scenario A 100% on-site	Scenario C 100% off-site
Cost per ha of residential development	£3,456/ha	£63,841/ha
Cost per ha of non-residential development	£3,150/ha	£47,885/ha
Cost per greenfield housing unit	£162/unit	£3,305/unit
Cost per brownfield housing unit	£56/unit	£660/unit
Residential greenfield delivery costs as proportion of build costs	0.1%	2.4%
Residential brownfield delivery costs as proportion of build costs	<0.1%	0.5%
% of industrial land values	0.3%	3.0%
% of commercial land values (office edge of city centre)	0.2%	2.3%
% of commercial land values (office out of town - business park)	0.2%	2.6%

Source: Tables 14 to 23 : Biodiversity net gain and local nature recovery strategies – Impact Assessment

- 8.43 It is assumed provision will be on-site on greenfield sites and off-site on brownfield sites (this approach is different to that taken in the pre-consultation report). The percentage uplift costs are used as the costs per ha/unit are a little historic.
- 8.44 Much of the cost of implementing Biodiversity Net Gain is in the survey work and in the design, rather than the costs of the actual works.
- 8.45 The Council is considering seeking a higher requirement than the nationally mandated 10%. A scenario is tested with a 20% requirement which is assumed to cost 50% more than the 10% requirement.
- 8.46 A non-residential developer commented through the May 2022 consultation:

In our experience working with Natural England's current biodiversity calculator, it is more likely the costs will increase per percentage point beyond 10% gain as most lower cost net gain opportunities will have been used to achieve the first 10% of the gain. Issues will also arise in relation to the density of commercial development that can be achieved if biodiversity net gain requirements are increased further on site pushing the net effect of this policy on viability up in an exponential increasing curve rather than a linear one as the law of diminishing returns takes effect.

Conversely if the assumption is that biodiversity net-gain is to largely be provided off site then there is potential for real economies of scale to be achieved through the creation of meaningful sized nature reserves and habitats from development contributions, it is in this context that perhaps the provision of biodiversity net gain because of development is arguably most likely to be financially viable and have meaningful impact on wildlife species within the area as it

provides opportunity for cost effective biodiversity interventions to be undertaken on a larger scale thus maximising the positive outcomes achievable for local people and the natural environment.

8.47 It is assumed that BNG is provided off-site on brownfield sites.

Nutrient Neutrality

8.48 At the time of this report (October 2022) the Council do not believe that they are impacted by recent requirements announced by Natural England.

8.49 In any event, a range of developer contributions have been tested (in addition to CIL) to the evaluate effect of higher developer contributions, that may be required in this regard, can be understood.

Thriving Communities

8.50 Some provisions of open space feature under this heading as well as Quality Environment above. Further some of the headings require Developer Contributions, for example in relation to schools and education – these are considered below under Effective Infrastructure.

8.51 The Council may seek Health Impact Assessments. It is assumed that this would be a requirement on major development. As set out in Chapter 7 above an allowance is made for professional fees. No specific extra allowance is made in this regard.

Housing & Development

8.52 Much of this section concerns the amount of housing and the allocations. This is reflected in the modelling as set out in Chapter 9 below. Several density options are tested.

Housing Mix

8.53 The Council’s draft Housing Market Assessment suggests the following housing mix:

Table 8.6 Early Housing Mix				
	1-bedroom	2-bedroom	3-bedroom	4+ bedroom
Market Housing	5-15%	35-45%	35-45%	5-15%
Affordable for Rent	65-75%	15-25%	5-15%	Up to 10%
Shared Ownership	15-25%	45-55%	25-35%	Up to 10%
First Homes	15-25%	45-55%	25-35%	Up to 10%

Source: AECOM (August 2022)

8.54 Whilst the above is derived from the Housing Market Assessment, AECOM have suggested that the following mix of Affordable Rent may be more appropriate.

- 1 bed affordable rent: 30-50%

- 2 bed affordable rent: 30-50%
- 3 bed affordable rent: 15-25%
- 4 bed plus affordable rent: up to 10%

8.55 This informs the modelling in this report, however is not applied rigidly, with regard also being had to the nature of the scheme.

Affordable Housing

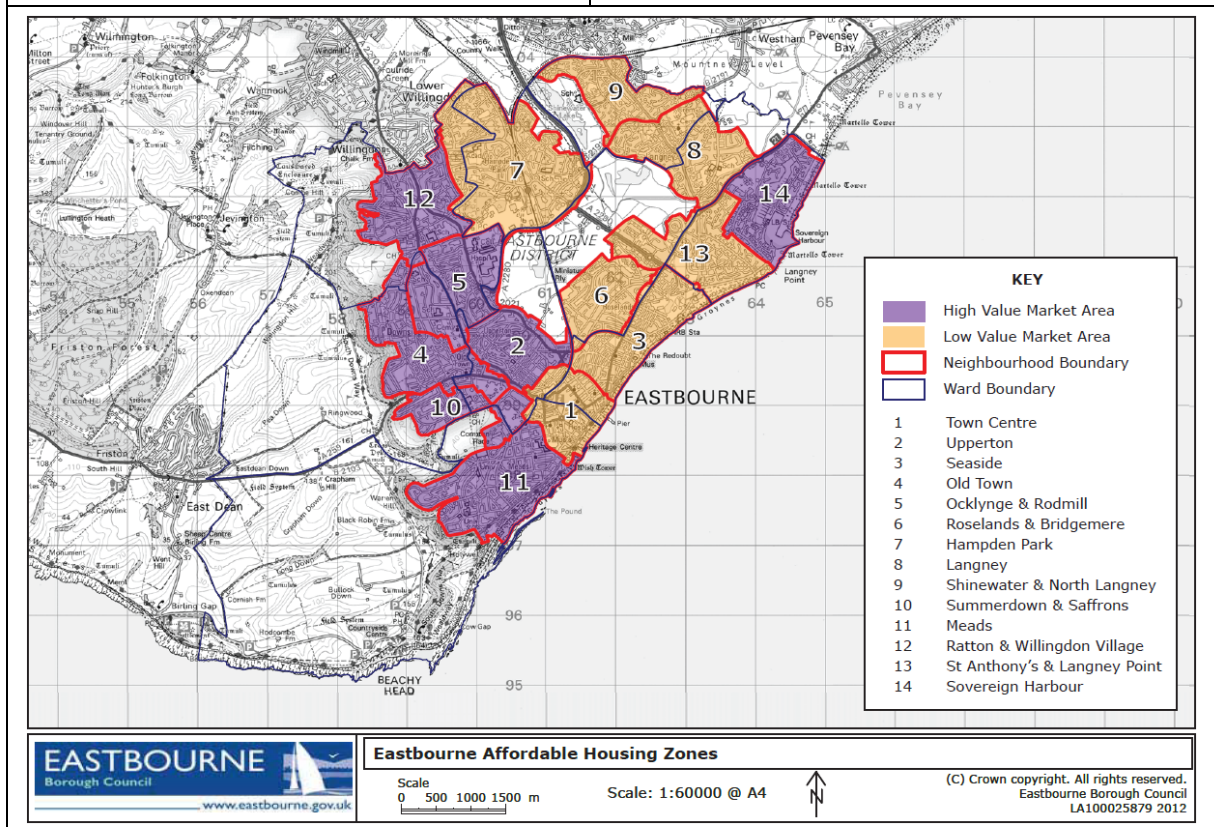
8.56 The current policy requirement is set out in Table 2 of the *Affordable Housing Supplementary Planning Document* (November 2017):

Net residential units	High Value Market Area (40% affordable housing requirement)		Low Value Market Area (30% affordable housing requirement)	
	Whole affordable unit required	Part of unit (commuted sum required)	Whole affordable unit required	Part of unit (commuted sum required)
11	4	0.4	3	0.3
12	4	0.8	3	0.6
13	5	0.2	3	0.9
14	5	0.6	4	0.2
15	6	n/a	4	0.5
16	6	0.4	4	0.8
17	6	0.8	5	0.1
18	7	0.2	5	0.4
19	7	0.6	5	0.7
20	8	n/a	6	n/a

Source: Table 2, Affordable Housing Supplementary Planning Document (November 2017)

8.57 The areas are set out as follows:

High Value Market Neighbourhoods (40% affordable housing requirement)	Low Value Market Neighbourhoods (30% affordable housing requirement)
Neighbourhood 2: Upperton	Neighbourhood 1: Town Centre
Neighbourhood 4: Old Town	Neighbourhood 3: Seaside
Neighbourhood 5: Ocklynge & Rodmill	Neighbourhood 6: Roselands & Bridgemere
Neighbourhood 10: Summerdown & Saffrons	Neighbourhood 7: Hampden Park
Neighbourhood 11: Meads	Neighbourhood 8: Langney
Neighbourhood 12: Ratton and Willingdon	Neighbourhood 9: Shinewater & North Langney
Neighbourhood 14: Sovereign Harbour	Neighbourhood 13: St Anthony's & Langney Point



Source: Table 1, *Affordable Housing Supplementary Planning Document* (November 2017)

- 8.58 Paragraph 3.7 of the *Affordable Housing Supplementary Planning Document* (November 2017), sets out a preferred tenure mix of 70% rented to 30% Shared Ownership. Paragraph 3.13 sets out the following unit mix, however this has been superseded as set out above.
- 8.59 In this assessment a range of affordable housing requirements and mixes are tested. These are modelled to align with national policy, including the requirement for 10% of all homes to be affordable home ownership, 25% of affordable housing to be First Homes and a site threshold size of 10 units.
- 8.60 Both on-site and off-site provision will be tested, and appropriate levels of commuted sum assessed.

Accessible and Adaptable Homes

- 8.61 The Council consulted on a range of options in this regard.
- 8.62 Lifetime Homes Standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4⁶³) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)⁶⁴, reflect accessibility as follows:
- Category 1 – Dwellings which provide reasonable accessibility
 - Category 2 – Dwellings which provide enhanced accessibility and adaptability (Part M4(2)).
 - Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair (Part M4(3)).
- 8.63 The cost of a wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £10,111 per dwelling⁶⁵. The cost of Category 2 is taken to be £521⁶⁶ (this compares with the £1,097 cost for the Lifetime Homes Standard). These costs have been indexed⁶⁷ by 35% to £14,155/dwelling and £730/dwelling respectively.
- 8.64 As set out in Chapter 2 above, in July 2022, the Government announced the outcome of the 2020 consultation on raising accessibility standards of new homes⁶⁸ saying *‘that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes’*. The Government will now consult further on the technical changes to the Building Regulations to mandate the higher M4(2) accessibility standard. No timescale has been announced.
- 8.65 It is assumed that all new homes are to be designed to be Accessible and Adaptable (M4(2)). The impact of seeking some housing to meet Wheelchair Adaptability M4(3) is tested.

⁶³ <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

⁶⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

⁶⁵ Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

⁶⁶ Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

⁶⁷ BCIS Index March 2014 316.3, October 2022 444.9.

⁶⁸ [Raising accessibility standards for new homes: summary of consultation responses and government response - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes)

Nationally Described Space Standards

8.66 The consultation does not seek Nationally Described Space Standard (NDSS) technical requirements. In March 2015, the Government published *Nationally Described Space Standard – technical requirements*. This says:

This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.

8.67 The following unit sizes are set out⁶⁹:

Table 8.4 National Space Standards. Minimum gross internal floor areas and storage (m²)					
number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

Source: Table 1, Technical housing standards – nationally described space standard (March 2015)

⁶⁹

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524531/160519_Nationally_Described_Space_Standard_Final_Web_version.pdf



8.68 In this study the units are assumed to be in line with the NDSS or larger.

Density

8.69 The *Eastbourne Land Availability Assessment 2019 Volume 1: Main Report* includes research about historic densities:

Size Threshold	Density (dph)
Less than 0.1 ha	62.5
Between 0.1 ha and 1 ha	57.9
Between 1 ha and 5ha	44.5

Source Table 2: Average densities based on site size. SHELAA (2019)

8.70 The Council is considering seeking higher densities. In line with the *EBC Land Availability Assessment Methodology (October 2021)* the following densities are used to inform the development of the typologies⁷⁰.

Density Area	Sites less than 0.4 ha		Sites between 0.4 ha and 2 ha		Sites more than 2 ha	
	DPH	Site Ratio	DPH	Site Ratio	DPH	Site Ratio
Very High Density	> 150	> 0.60	135	> 0.54	101	> 0.41
High Density	80-150	0.30-0.60	72-135	0.27-0.54	54-101	0.20-0.41
Medium-High Density	60-90	0.27-0.40	54-81	0.24-0.36	41-61	0.18-0.27
Medium Density	40-70	0.25-0.35	36-63	0.23-0.32	27-47	0.17-0.24
Medium-Low Density	30-45	0.22-0.32	27-41	0.20-0.29	20-31	0.15-0.22
Low Density	25-35	0.20-0.30	23-32	0.18-0.27	17-24	0.14-0.20

Source: Table 2, *EBC Land Availability Assessment Methodology* (October 2021)

8.71 The LAA also sets out the following non-residential densities:

⁷⁰ As this report was being finalised the Council published the *Eastbourne Land Availability Assessment 2022* (EBC, November 2022).

Employment Use	Plot Ratio	Floorspace (sqm) per hectare
Office in Town Centre	0.8	8,000
Office out of Town Centre	0.3	3,000
Industrial	0.3	3,000
Warehouse	0.3	3,000
Retail/Leisure/Community	0.5	5,000

Source Table 3: *EBC Land Availability Assessment Methodology* (October 2021)

8.72 These are reflected in the modelling.

Self and Custom Build Housing

8.73 The Council is exploring several options in this regard, but has not yet developed a policy. To inform the development of policy we have considered a 5% requirement on sites of 20 units and larger.

Effective Infrastructure

8.74 This section of the document deals with the timely provision of infrastructure to support new development. At present this is funded through Community Infrastructure Levy (CIL) and through the s106/s278 regimes.

8.75 In May 2022, the Government published the *Levelling-up and Regeneration Bill*. This includes reference to a new national Infrastructure Levy. The Bill suggests that the Infrastructure Levy would be set, having regard to viability and makes reference to the *Infrastructure Levy Regulations*. *Infrastructure Levy Regulations* has yet to be published. It will be necessary for the Council to monitor the progress of the Bill and in due course review this assessment, as and when the Regulations are published.

Community Infrastructure Levy (CIL)

8.76 The Council adopted CIL from 1st April 2015. These have since been indexed:

Type of Development (Use Class Order 1987 as amended)	CIL rate/sq. m for net additional floorspace	
	Adopted Rate 2015	Indexed Rate 2022
Dwellings (C3) excluding residential apartments	50	63.85
Retail (A1 A5)	80	102.76
All other uses	0	0

Source: Table 1, Eastbourne CIL - Charging Schedule April

- 8.77 These rates apply across the Borough, in the areas outside the National Park. These are incorporated into the base appraisals.

Developer Contributions

- 8.78 The Council seeks developer contributions to mitigate the impact of development. At this early stage an allowance of £2,500 per unit is made. This is significantly more than that historically collected.

9. Modelling

- 9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific.
- 9.2 EBC is considering which sites to allocate, which will be informed by a *Land Availability Assessment* (LAA) which is currently being prepared⁷¹. This is an ongoing process so in this assessment is based on the long list of sites and the density assumptions set out in Chapter 7 above.
- 9.3 The draft LAA includes a wide range of sites. The 300 or so sites that have yet to be excluded have informed the modelling:

Table 9.1 Draft LAA Sites, Average Areas				
	Average Area		Average Capacity	
	Brown	Green	Brown	Green
Agricultural		4.02		60.55
Amenity Open Space		0.15		4.39
Car Parking	0.21		24.17	
Commercial	0.48		29.27	
Derelict/Vacant	1.35		44.67	
Education	1.79		68.64	
Employment	0.18		18.17	
Garages	0.07		3.36	
Industrial	0.08		7.00	
Other	0.75		34.20	
Residential	0.22		10.10	
Residential garden		0.07		2.67
Retail	0.26		47.67	
Scrubland		2.66		68.00
ALL	0.30	0.63	17.67	12.03

Source: EBC Draft Land Availability Assessment Dataset

⁷¹ As this report was being finalised the Council published the *Eastbourne Land Availability Assessment 2022* (EBC, November 2022).

9.4 The sites range from about 250 units down to single units. Two thirds of the sites have a capacity of 9 or less, although these are about 10% of the capacity of the sites under consideration.

Table 9.2 Summary of Draft LAA Sites By Use

	Count		Total Area		Total Capacity	
	Brownfield	Greenfield	Brownfield	Greenfield	Brownfield	Greenfield
Agricultural	0	11	0.00	44.23	0.0%	666
Amenity Open Space	0	35	0.00	5.10	0.0%	145
Car Parking	23	0	4.89	0.00	7.4%	0
Commercial	11	0	5.27	0.00	8.0%	0
Derelict/Vacant	6	0	8.11	0.00	12.3%	0
Education	11	0	19.64	0.00	29.8%	0
Employment	29	0	5.33	0.00	8.1%	0
Garages	101	0	6.74	0.00	10.2%	0
Industrial	1	0	0.08	0.00	0.1%	0
Other	15	0	11.19	0.00	17.0%	0
Residential	10	0	2.23	0.00	3.4%	0
Residential garden	0	48	0.00	3.53	0.0%	128
Retail	9	0	2.38	0.00	3.6%	0
Scrubland	0	3	0.00	7.97	0.0%	204
ALL	216	97	65.87	60.82		1,143

Source: EBC Draft Land Availability Assessment Dataset



Table 9.3 Summary of Draft LAA Sites by Area

	Count				Total Area				Total Capacity			
	Brownfield		Greenfield		Brownfield		Greenfield		Brownfield		Greenfield	
	Count	%	Count	%	Area (ha)	%	Area (ha)	%	Count	%	Count	%
Eastbourne Park	2	0.9%	7	7.2%	4.66	7.1%	13.66	22.5%	176	4.6%	369	32.3%
Hampden Park	31	14.4%	13	13.4%	2.98	4.5%	0.97	1.6%	154	4.0%	32	2.8%
Langney	29	13.4%	22	22.7%	2.70	4.1%	38.68	63.6%	110	2.9%	506	44.3%
Meads	9	4.2%	4	4.1%	10.50	15.9%	0.51	0.8%	451	11.8%	21	1.8%
Ocklynge & Rodmill	4	1.9%	3	3.1%	14.90	22.6%	0.20	0.3%	474	12.4%	7	0.6%
Old Town	19	8.8%	17	17.5%	1.54	2.3%	1.87	3.1%	88	2.3%	77	6.7%
Ratton & Willingdon Village	1	0.5%	3	3.1%	0.13	0.2%	1.29	2.1%	5	0.1%	42	3.7%
Roselands & Bridgemere	15	6.9%	7	7.2%	6.40	9.7%	0.27	0.4%	417	10.9%	7	0.6%
Seaside	33	15.3%	4	4.1%	7.49	11.4%	0.10	0.2%	639	16.7%	4	0.3%
Shinewater & North Langney	12	5.6%	5	5.2%	1.45	2.2%	0.24	0.4%	40	1.0%	9	0.8%
Sovereign Harbour	4	1.9%	0	0.0%	3.45	5.2%	0.00	0.0%	100	2.6%	0	0.0%
St Anthonys & Langney Point	17	7.9%	4	4.1%	1.02	1.6%	0.13	0.2%	41	1.1%	6	0.5%
Summerdown & Saffrons	5	2.3%	3	3.1%	1.86	2.8%	2.57	4.2%	60	1.6%	39	3.4%
Town Centre	30	13.9%	2	2.1%	6.08	9.2%	0.10	0.2%	983	25.8%	8	0.7%
Upperton	5	2.3%	3	3.1%	0.70	1.1%	0.23	0.4%	79	2.1%	16	1.4%
ALL	216		97		65.87		60.82		3,817		1,143	

Source: EBC Draft Land Availability Assessment Dataset

9.5 Based on the LAA , a set of typologies has been developed. These include a range of site density assumptions.



Table 9.5 Summary of Typologies.

	Current Use	Units	Area Ha			Density Units/ha		Density m2/ha		
			Total	Gross	Net	%	Gross		Net	
1	Large Greenfield 500	Green	500	31.250	31.250	25.000	80.0%	16.00	20.00	1,641
2	Large Green 250	Green	250	11.765	11.765	10.000	85.0%	21.25	25.00	2,058
3	Green 75	Green	75	3.836	3.836	3.261	85.0%	19.55	23.00	1,906
4	Green 35	Green	35	1.556	1.556	1.167	75.0%	22.50	30.00	2,431
5	Green 14	Green	14	0.598	0.598	0.467	78.0%	23.40	30.00	2,417
6	Green 6	Green	6	0.250	0.250	0.200	80.0%	24.00	30.00	3,310
7	Green 3	Green	3	0.133	0.133	0.100	75.0%	22.50	30.00	3,260
8	HD Housing 200	Brown	200	5.229	5.229	4.444	85.0%	38.25	45.00	3,552
9	HD Housing 100	Brown	100	4.167	4.167	3.333	80.0%	24.00	30.00	2,373
10	HD Housing 60	Brown	60	2.256	2.256	1.579	70.0%	26.60	38.00	2,976
11	HD Housing 30	Brown	30	1.000	1.000	0.750	75.0%	30.00	40.00	3,220
12	HD Housing 15	Brown	15	0.500	0.500	0.375	75.0%	30.00	40.00	3,202
13	HD Housing 6	Brown	6	0.190	0.190	0.133	70.0%	31.50	45.00	3,870
14	Houses & Flats 100	Brown	100	2.381	2.381	1.667	70.0%	42.00	60.00	4,494
15	Houses & Flats 60	Brown	60	1.558	1.558	1.091	70.0%	38.50	55.00	4,101
16	Houses & Flats 30	Brown	30	0.714	0.714	0.500	70.0%	42.00	60.00	4,537
17	Houses & Flats 12	Brown	12	0.343	0.343	0.240	70.0%	35.00	50.00	3,858
18	Flats 200	Brown	200	4.167	4.167	3.333	80.0%	48.00	60.00	4,371
19	Flats 100	Brown	100	1.786	1.786	1.250	70.0%	56.00	80.00	5,773
20	Flats 60	Brown	60	1.052	1.067	0.800	76.0%	56.25	75.00	5,383
21	Flats 20	Brown	20	0.410	0.410	0.267	65.0%	48.75	75.00	5,383
22	Flats 12	Brown	12	0.264	0.264	0.171	65.0%	45.50	70.00	5,063
23	Flats 6	Brown	6	0.133	0.133	0.080	60.0%	45.00	75.00	5,981
24	Flats HD 200	Brown	200	2.857	2.857	2.000	70.0%	70.00	100.00	7,209
25	Flats HD 100	Brown	100	1.429	1.429	1.000	70.0%	70.00	100.00	7,216
26	Flats HD 40	Brown	40	0.667	0.667	0.400	60.0%	60.00	100.00	7,178
27	Flats HD 18	Brown	18	0.300	0.300	0.150	50.0%	60.00	120.00	8,507
28	Flats VHD 200	Brown	200	1.667	1.667	1.000	60.0%	120.00	200.00	15,073
29	Flats VHD 75	Brown	75	0.600	0.600	0.300	50.0%	125.00	250.00	18,849
30	BTR Flats 60	Brown	60	1.143	1.143	0.800	70.0%	52.50	75.00	5,698

Source: HDH (October 2022)

Older People's Housing

9.6 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.



- 9.7 A private Sheltered/retirement scheme of 30 x 1 bed units of 50m² and 30 x 2 bed units of 75m² to give a net saleable area of 3,750m². We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 4,500m².
- 9.8 An Extracare scheme of 36 x 1 bed units of 65m² and 24 x 2 bed units of 80m² to give a net saleable area of 4,260m². We have assumed a further 30% non-saleable service and common areas to give a scheme GIA of 5,538m².

Employment Uses

- 9.9 The Council is planning to allocate strategic employment sites and mixed-use strategic sites. These sites will not be modelled individually, rather the type of development that they are most likely to deliver is modelled.
- 9.10 In line with the CIL Regulations, we have only assessed developments of over 100m². There are other types of development (such as petrol filling stations and garden centres etc). We have not included these in this high-level study due to the great diversity of project that may arise.
- 9.11 As set out in Chapter 8 above, the LAA also sets out the following non-residential densities:

Employment Use	Plot Ratio	Floorspace (sqm) per hectare
Office in Town Centre	0.8	8,000
Office out of Town Centre	0.3	3,000
Industrial	0.3	3,000
Warehouse	0.3	3,000
Retail/Leisure/Community	0.5	5,000

Source Table 3: *EBC Land Availability Assessment Methodology* (October 2021)

- 9.12 These have informed the modelling.
- 9.13 For this study, we have assessed a number of development types. We have based our modelling on the following development types:

- a. **Offices.** These are more than 250m², will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units in the EBC area are around 2,000m² – we will use this as the basis of our modelling.

We have made assumptions about the site coverage and density of development on the sites. We have assumed four stories and 75% coverage on the office sites in the urban situation and 2 stories and 25% elsewhere. We have assumed two storey construction in the business park situation, and six-storey construction in the urban situation.

- b. **Large Industrial.** Modern industrial units of over 4,000m². There is little new space being constructed. This is used as the basis of the modelling. We have assumed 40% coverage which is based on the single storey construction.
- c. **Small Industrial.** Modern industrial units of 400m². We have assumed 40% coverage which is based on the single storey construction.
- d. **Distribution.** Modern units of over 4,000m² is used as the basis of the modelling. We have assumed 35% coverage which is based on the single storey construction.

9.14 We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.

9.15 Through the consultation, a respondent observed:

***Commercial development.** As mentioned at the meeting we are looking at substantially reduced density sites to deal with mitigations (for example flood and ecology) which has a significant bearing on land values*

9.16 This is accepted, however, in this study the modelling is on a policy-on basis.

Retail

9.17 For this study, we have assessed the following types of space.

- a. **Supermarkets** Two typologies have been modelled.

First is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m². It is assumed to occupy a total site area of 1.33ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

Second is based on a smaller supermarket, typical of the units that may be developed by operators such as Aldi and Lidl. A 1,200m² unit on a 0.4ha site (40% coverage) to allow for car parking is assumed.

- b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m². It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

The trend in recent years has been to smaller units with units of 500m² to 600m² common in new retail parks. An alternative has also been modelled with 8 such units as a single scheme.

- c. **Shop** is a brick-built development, on two storeys of 200m². No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.025ha.

9.18 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed simple, single storey construction and have assumed that there are no mezzanine floors.

Hotels

- 9.19 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment. Having considered this further we have assessed a modern hotel on a town edge site (both Travelodge and Premier Inn are seeking sites in the area).
- 9.20 We have assumed that this is a 60 bedroom product ($60 \times 19\text{m}^2 + 30\%$ circulation space = $1,482\text{m}^2$) with ample car parking on a 0.4 ha (1 acre) site.



10. Residential Appraisals

- 10.1 At the start of this chapter, it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that Eastbourne Council will consider, including the track record in delivering affordable housing and collecting developer contributions.
- 10.2 The appraisals use the residual valuation approach, they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin, being the Benchmark Land Value (BLV).
- 10.3 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and in prices.
- 10.4 As set out above, for each development type the Residual Value is calculated. The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:
- a. **Green Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).
 - b. **Amber Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.
 - c. **Red Non-viable** – where the Residual Value does not exceed the EUV.
- 10.5 A report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a typology is shown as viable does not necessarily mean that, that type of development will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.

Base Appraisals

- 10.6 The initial appraisals are based on the following assumptions.

- a. Affordable Housing 40%⁷² as 30% Affordable Home Ownership / 70% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
- b. Design 100% Part M4(2), Water efficiency standards, 10% Biodiversity Net Gain, 2021 Part L (energy efficiency).
- c. Developer Contributions s106 as £2,500/unit on typologies and CIL as adopted.

10.7 As set out in Chapter 4 above the analysis is based on three price areas (West, East and Sovereign) to reflect the price differences across the Borough.

- a. Average house values are generally higher in the west than in the east – however the difference is marginal and when it comes to new schemes the immediate surroundings of a scheme (the local neighbourhood, the adjacent sites and the outlook etc) are more important.
- b. The exception is in relation to the Sovereign area where prices are somewhat lower than elsewhere.
- c. The variance in the value of flatted development is greater with values being a little higher in west than in the remainder of the Borough.

Table 12.1 Residential Price Assumptions – £/m²			
	West	East	Sovereign
Greenfield	4,100	4,100	
Previously Developed Land	3,375	3,375	3,800
Flatted Development	5,000	4,200	4,200

Source: HDH (October 2022)

10.8 The base appraisals are included in **Appendix 12**.

⁷² The current policy is 40% in the west and Sovereign, and 30% in the east.

Table 10.2a Residential Typologies, – Residual Values

West

							Area (ha)		Units	Residual Value (£)		
							Gross	Net		Gross ha	Net ha	Site
Site 1	Large Greenfield 500	West	Green	Agricultural			31.25	25.00	500	971,229	1,214,036	30,350,905
Site 2	Large Green 250	West	Green	Agricultural			11.76	10.00	250	1,347,465	1,585,253	15,852,534
Site 3	Green 75	West	Green	Agricultural			3.84	3.26	75	803,067	944,785	3,080,820
Site 4	Green 35	West	Green	Agricultural			1.56	1.17	35	912,679	1,216,906	1,419,723
Site 5	Green 14	West	Green	Agricultural			0.60	0.47	14	1,120,787	1,436,906	670,556
Site 6	Green 6	West	Green	Paddock			0.25	0.20	6	790,698	988,373	197,675
Site 7	Green 3	West	Green	Paddock			0.13	0.10	3	737,679	983,572	98,357
Site 8	HD Housing 200	West	Brown	PDL			5.23	4.44	200	1,355,566	1,594,783	7,087,925
Site 9	HD Housing 100	West	Brown	PDL			4.17	3.33	100	445,834	557,293	1,857,642
Site 10	HD Housing 60	West	Brown	PDL			2.26	1.58	60	482,326	689,038	1,087,954
Site 11	HD Housing 30	West	Brown	PDL			1.00	0.75	30	577,152	769,536	577,152
Site 12	HD Housing 15	West	Brown	PDL			0.50	0.38	15	797,441	1,063,254	398,720
Site 13	HD Housing 6	West	Brown	PDL			0.19	0.13	6	429,917	614,168	81,889
Site 14	Houses & Flats 100	West	Brown	PDL			2.38	1.67	100	624,517	892,167	1,486,945
Site 15	Houses & Flats 60	West	Brown	PDL			1.56	1.09	60	282,075	402,964	439,597
Site 16	Houses & Flats 30	West	Brown	PDL			0.71	0.50	30	528,585	755,121	377,561
Site 17	Houses & Flats 12	West	Brown	PDL			0.34	0.24	12	781,050	1,115,786	267,789
Site 18	Flats 200	West	Brown	PDL			4.17	3.33	200	2,516,091	3,145,114	10,483,714
Site 19	Flats 100	West	Brown	PDL			1.79	1.25	100	2,018,542	2,883,632	3,604,540
Site 20	Flats 60	West	Brown	PDL			1.07	0.80	60	2,067,326	2,718,843	2,175,075
Site 21	Flats 20	West	Brown	PDL			0.41	0.27	20	1,774,888	2,730,597	728,159
Site 22	Flats 12	West	Brown	PDL			0.26	0.17	12	1,997,342	3,072,834	526,772
Site 23	Flats 6	West	Brown	PDL			0.13	0.08	6	1,162,156	1,936,927	154,954
Site 24	Flats HD 200	West	Brown	PDL			2.86	2.00	200	3,752,618	5,360,883	10,721,767
Site 25	Flats HD 100	West	Brown	PDL			1.43	1.00	100	2,529,664	3,613,806	3,613,806
Site 26	Flats HD 40	West	Brown	PDL			0.67	0.40	40	2,180,712	3,634,520	1,453,808
Site 27	Flats HD 18	West	Brown	PDL			0.30	0.15	18	2,596,550	5,193,100	778,965
Site 28	Flats VHD 200	West	Brown	PDL			1.67	1.00	200	3,755,723	6,259,539	6,259,539
Site 29	Flats VHD 75	West	Brown	PDL			0.60	0.30	75	974,684	1,949,368	584,810
Site 30	BTR Flats 60	West	Brown	PDL			1.14	0.80	60	-1,138,590	-1,626,558	-1,301,246

Source: HDH (October 2022)



Table 10.2b Residential Typologies, – Residual Values

East

Site	Area (ha)	Units	Residual Value (£)								
			Gross ha	Net ha	Site						
Site 1	Large Greenfield 500	East	Green	Agricultural		31.25	25.00	500	971,229	1,214,036	30,350,905
Site 2	Large Green 250	East	Green	Agricultural		11.76	10.00	250	1,347,465	1,585,253	15,852,534
Site 3	Green 75	East	Green	Agricultural		3.84	3.26	75	803,067	944,785	3,080,820
Site 4	Green 35	East	Green	Agricultural		1.56	1.17	35	912,679	1,216,906	1,419,723
Site 5	Green 14	East	Green	Agricultural		0.60	0.47	14	1,120,787	1,436,906	670,556
Site 6	Green 6	East	Green	Paddock		0.25	0.20	6	790,698	988,373	197,675
Site 7	Green 3	East	Green	Paddock		0.13	0.10	3	737,679	983,572	98,357
Site 8	HD Housing 200	East	Brown	PDL		5.23	4.44	200	1,355,566	1,594,783	7,087,925
Site 9	HD Housing 100	East	Brown	PDL		4.17	3.33	100	445,834	557,293	1,857,642
Site 10	HD Housing 60	East	Brown	PDL		2.26	1.58	60	482,326	689,038	1,087,954
Site 11	HD Housing 30	East	Brown	PDL		1.00	0.75	30	577,152	769,536	577,152
Site 12	HD Housing 15	East	Brown	PDL		0.50	0.38	15	797,441	1,063,254	398,720
Site 13	HD Housing 6	East	Brown	PDL		0.19	0.13	6	429,917	614,168	81,889
Site 14	Houses & Flats 100	East	Brown	PDL		2.38	1.67	100	624,517	892,167	1,486,945
Site 15	Houses & Flats 60	East	Brown	PDL		1.56	1.09	60	282,075	402,964	439,597
Site 16	Houses & Flats 30	East	Brown	PDL		0.71	0.50	30	528,585	755,121	377,561
Site 17	Houses & Flats 12	East	Brown	PDL		0.34	0.24	12	781,050	1,115,786	267,789
Site 18	Flats 200	East	Brown	PDL		4.17	3.33	200	1,336,229	1,670,286	5,567,620
Site 19	Flats 100	East	Brown	PDL		1.79	1.25	100	600,399	857,713	1,072,141
Site 20	Flats 60	East	Brown	PDL		1.07	0.80	60	602,209	791,995	633,596
Site 21	Flats 20	East	Brown	PDL		0.41	0.27	20	519,917	799,872	213,299
Site 22	Flats 12	East	Brown	PDL		0.26	0.17	12	817,811	1,258,170	215,686
Site 23	Flats 6	East	Brown	PDL		0.13	0.08	6	59,493	99,155	7,932
Site 24	Flats HD 200	East	Brown	PDL		2.86	2.00	200	1,979,939	2,828,485	5,656,969
Site 25	Flats HD 100	East	Brown	PDL		1.43	1.00	100	744,587	1,063,696	1,063,696
Site 26	Flats HD 40	East	Brown	PDL		0.67	0.40	40	639,233	1,065,389	426,156
Site 27	Flats HD 18	East	Brown	PDL		0.30	0.15	18	1,055,071	2,110,142	316,521
Site 28	Flats VHD 200	East	Brown	PDL		1.67	1.00	200	716,845	1,194,741	1,194,741
Site 29	Flats VHD 75	East	Brown	PDL		0.60	0.30	75	-2,384,141	-4,768,282	-1,430,485
Site 30	BTR Flats 60	East	Brown	PDL		1.14	0.80	60	-1,138,590	-1,626,558	-1,301,246

Source: HDH (October 2022)



Table 10.2c Residential Typologies, – Residual Values

Sovereign

						Area (ha)		Units	Residual Value (£)		
						Gross	Net		Gross ha	Net ha	Site
Site 8	HD Housing 200	Sovereign	Brown	PDL	5.23	4.44	200	1,355,566	1,594,783	7,087,925	
Site 9	HD Housing 100	Sovereign	Brown	PDL	4.17	3.33	100	445,834	557,293	1,857,642	
Site 10	HD Housing 60	Sovereign	Brown	PDL	2.26	1.58	60	482,326	689,038	1,087,954	
Site 11	HD Housing 30	Sovereign	Brown	PDL	1.00	0.75	30	577,152	769,536	577,152	
Site 12	HD Housing 15	Sovereign	Brown	PDL	0.50	0.38	15	797,441	1,063,254	398,720	
Site 13	HD Housing 6	Sovereign	Brown	PDL	0.19	0.13	6	429,917	614,168	81,889	
Site 14	Houses & Flats 100	Sovereign	Brown	PDL	2.38	1.67	100	624,517	892,167	1,486,945	
Site 15	Houses & Flats 60	Sovereign	Brown	PDL	1.56	1.09	60	282,075	402,964	439,597	
Site 16	Houses & Flats 30	Sovereign	Brown	PDL	0.71	0.50	30	528,585	755,121	377,561	
Site 17	Houses & Flats 12	Sovereign	Brown	PDL	0.34	0.24	12	781,050	1,115,786	267,789	
Site 18	Flats 200	Sovereign	Brown	PDL	4.17	3.33	200	1,336,229	1,670,286	5,567,620	
Site 19	Flats 100	Sovereign	Brown	PDL	1.79	1.25	100	600,399	857,713	1,072,141	
Site 20	Flats 60	Sovereign	Brown	PDL	1.07	0.80	60	602,209	791,995	633,596	
Site 21	Flats 20	Sovereign	Brown	PDL	0.41	0.27	20	519,917	799,872	213,299	
Site 22	Flats 12	Sovereign	Brown	PDL	0.26	0.17	12	817,811	1,258,170	215,686	
Site 23	Flats 6	Sovereign	Brown	PDL	0.13	0.08	6	59,493	99,155	7,932	
Site 24	Flats HD 200	Sovereign	Brown	PDL	2.86	2.00	200	1,979,939	2,828,485	5,656,969	
Site 25	Flats HD 100	Sovereign	Brown	PDL	1.43	1.00	100	744,587	1,063,696	1,063,696	
Site 26	Flats HD 40	Sovereign	Brown	PDL	0.67	0.40	40	639,233	1,065,389	426,156	
Site 27	Flats HD 18	Sovereign	Brown	PDL	0.30	0.15	18	1,055,071	2,110,142	316,521	
Site 28	Flats VHD 200	Sovereign	Brown	PDL	1.67	1.00	200	716,845	1,194,741	1,194,741	
Site 29	Flats VHD 75	Sovereign	Brown	PDL	0.60	0.30	75	-2,384,141	-4,768,282	-1,430,485	
Site 30	BTR Flats 60	Sovereign	Brown	PDL	1.14	0.80	60	-1,138,590	-1,626,558	-1,301,246	

Source: HDH (October 2022)



- 10.9 The results vary across the typologies, due to the different assumptions around the nature of each typology such as additional costs associated with brownfield sites reduces the Residual Value and density has a notable impact
- 10.10 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 10.3a Residual Value v BLV					
West					
			EUV	BLV	Residual Value
1	Large Greenfield 500	West	25,000	375,000	971,229
2	Large Green 250	West	25,000	375,000	1,347,465
3	Green 75	West	25,000	375,000	803,067
4	Green 35	West	25,000	375,000	912,679
5	Green 14	West	25,000	375,000	1,120,787
6	Green 6	West	50,000	400,000	790,698
7	Green 3	West	50,000	400,000	737,679
8	HD Housing 200	West	1,500,000	1,800,000	1,355,566
9	HD Housing 100	West	1,500,000	1,800,000	445,834
10	HD Housing 60	West	1,500,000	1,800,000	482,326
11	HD Housing 30	West	1,500,000	1,800,000	577,152
12	HD Housing 15	West	1,500,000	1,800,000	797,441
13	HD Housing 6	West	1,500,000	1,800,000	429,917
14	Houses & Flats 100	West	1,500,000	1,800,000	624,517
15	Houses & Flats 60	West	1,500,000	1,800,000	282,075
16	Houses & Flats 30	West	1,500,000	1,800,000	528,585
17	Houses & Flats 12	West	1,500,000	1,800,000	781,050
18	Flats 200	West	1,500,000	1,800,000	2,516,091
19	Flats 100	West	1,500,000	1,800,000	2,018,542
20	Flats 60	West	1,500,000	1,800,000	2,067,326
21	Flats 20	West	1,500,000	1,800,000	1,774,888
22	Flats 12	West	1,500,000	1,800,000	1,997,342
23	Flats 6	West	1,500,000	1,800,000	1,162,156
24	Flats HD 200	West	1,500,000	1,800,000	3,752,618
25	Flats HD 100	West	1,500,000	1,800,000	2,529,664
26	Flats HD 40	West	1,500,000	1,800,000	2,180,712
27	Flats HD 18	West	1,500,000	1,800,000	2,596,550
28	Flats VHD 200	West	1,500,000	1,800,000	3,755,723
29	Flats VHD 75	West	1,500,000	1,800,000	974,684
30	BTR Flats 60	West	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

Table 10.3b Residual Value v BLV					
East					
			EUV	BLV	Residual Value
1	Large Greenfield 500	East	25,000	375,000	971,229
2	Large Green 250	East	25,000	375,000	1,347,465
3	Green 75	East	25,000	375,000	803,067
4	Green 35	East	25,000	375,000	912,679
5	Green 14	East	25,000	375,000	1,120,787
6	Green 6	East	50,000	400,000	790,698
7	Green 3	East	50,000	400,000	737,679
8	HD Housing 200	East	1,500,000	1,800,000	1,355,566
9	HD Housing 100	East	1,500,000	1,800,000	445,834
10	HD Housing 60	East	1,500,000	1,800,000	482,326
11	HD Housing 30	East	1,500,000	1,800,000	577,152
12	HD Housing 15	East	1,500,000	1,800,000	797,441
13	HD Housing 6	East	1,500,000	1,800,000	429,917
14	Houses & Flats 100	East	1,500,000	1,800,000	624,517
15	Houses & Flats 60	East	1,500,000	1,800,000	282,075
16	Houses & Flats 30	East	1,500,000	1,800,000	528,585
17	Houses & Flats 12	East	1,500,000	1,800,000	781,050
18	Flats 200	East	1,500,000	1,800,000	1,336,229
19	Flats 100	East	1,500,000	1,800,000	600,399
20	Flats 60	East	1,500,000	1,800,000	602,209
21	Flats 20	East	1,500,000	1,800,000	519,917
22	Flats 12	East	1,500,000	1,800,000	817,811
23	Flats 6	East	1,500,000	1,800,000	59,493
24	Flats HD 200	East	1,500,000	1,800,000	1,979,939
25	Flats HD 100	East	1,500,000	1,800,000	744,587
26	Flats HD 40	East	1,500,000	1,800,000	639,233
27	Flats HD 18	East	1,500,000	1,800,000	1,055,071
28	Flats VHD 200	East	1,500,000	1,800,000	716,845
29	Flats VHD 75	East	1,500,000	1,800,000	-2,384,141
30	BTR Flats 60	East	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

Table 10.3c Residual Value v BLV					
Sovereign					
			EUV	BLV	Residual Value
8	HD Housing 200	Sovereign	1,500,000	1,800,000	1,355,566
9	HD Housing 100	Sovereign	1,500,000	1,800,000	445,834
10	HD Housing 60	Sovereign	1,500,000	1,800,000	482,326
11	HD Housing 30	Sovereign	1,500,000	1,800,000	577,152
12	HD Housing 15	Sovereign	1,500,000	1,800,000	797,441
13	HD Housing 6	Sovereign	1,500,000	1,800,000	429,917
14	Houses & Flats 100	Sovereign	1,500,000	1,800,000	624,517
15	Houses & Flats 60	Sovereign	1,500,000	1,800,000	282,075
16	Houses & Flats 30	Sovereign	1,500,000	1,800,000	528,585
17	Houses & Flats 12	Sovereign	1,500,000	1,800,000	781,050
18	Flats 200	Sovereign	1,500,000	1,800,000	1,336,229
19	Flats 100	Sovereign	1,500,000	1,800,000	600,399
20	Flats 60	Sovereign	1,500,000	1,800,000	602,209
21	Flats 20	Sovereign	1,500,000	1,800,000	519,917
22	Flats 12	Sovereign	1,500,000	1,800,000	817,811
23	Flats 6	Sovereign	1,500,000	1,800,000	59,493
24	Flats HD 200	Sovereign	1,500,000	1,800,000	1,979,939
25	Flats HD 100	Sovereign	1,500,000	1,800,000	744,587
26	Flats HD 40	Sovereign	1,500,000	1,800,000	639,233
27	Flats HD 18	Sovereign	1,500,000	1,800,000	1,055,071
28	Flats VHD 200	Sovereign	1,500,000	1,800,000	716,845
29	Flats VHD 75	Sovereign	1,500,000	1,800,000	-2,384,141
30	BTR Flats 60	Sovereign	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

10.11 In considering the above a useful starting point is to note that the Council does not achieve the current 40% affordable housing requirement on most sites. This would imply that perhaps the current total policy requirements are too high and it may be necessary to take a step back and reconsider the requirements.

10.12 The Residual Value exceeds the Benchmark Land Value by a significant margin on the greenfield sites. The results are the same in the West and the East as the same assumptions are used. It is important to note that the boundaries of the Borough are relatively tightly drawn, and whilst there are greenfield areas and areas of open countryside adjacent to the build-up areas, many of these are highly constrained.

- 10.13 In terms of price assumptions, the same values are applied to housing in both the West and the East of the Borough (£4,200/m²), with a slightly lower assumption being applied in the Sovereign area (£3,800/m²). A different pattern is applied to flatted development, with a higher assumption is applied to the West and Sovereign (£5,000/m²), with a lower assumption being applied in the East area (£4,200/m²). These patterns of price difference are reflected in the results, but also vary based on the density assumptions.
- 10.14 Across the urban area, brownfield sites are unlikely to be viable on the basis tested, the exception being in relation to flatted development in the West of the Borough.
- 10.15 The Build to Rent scheme is shown as unviable.
- 10.16 To assist the Council, a range of other appraisals have been run in various combinations.
- a. Varied levels of affordable housing and varied tenure mixes (including 10% Low Cost Home Ownership and First Homes).
 - b. Varied levels of developer contributions (£0 to £30,000/unit).
 - c. Varied policy costs including the 2025 Future Homes Standard and higher requirements for Accessible and Adaptable Standards (M4(2) and M4(3)).
 - d. Sensitivity Testing.

Cost of Individual Policies

- 10.17 Policy requirements that add to the cost of development lead to a reduction of the Residual Value. The greater the policy requirements, the less that a developer can pay to the landowner for the land. A set of appraisals has been run to show the additional costs of including higher and the cost saving of lower standards, relative to those included in the base appraisals set out above. The results are shown as pounds per hectare - a positive amount illustrating the cost saving of not including a policy requirement and a negative amount showing the extra cost of a requirement.
- 10.18 The base assumption is that development meets the current national planning policy requirements. This includes the recent increase to Part L of Building Regulations, 10% Biodiversity Net Gain and EV Charging points. It is also assumed that CIL is payable at the current rates, as CIL has been adopted so is therefore mandatory.

Table 10.4 Impact of Individual Policies (£/ha)						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Water Standard	153	213	273	334	413	780
20% BNG	1,570	10,450	14,355	18,952	23,571	53,085
Rainwater Harvesting	68,419	95,289	122,172	149,465	184,959	349,197
Part L 2025	17,292	23,289	32,157	40,999	50,440	109,527
Part L 2025 + Space Heating	85,850	115,592	159,693	203,659	250,546	544,514
Part L 2025 + PV	116,905	154,821	213,895	162,994	200,519	435,768
Part L 2025 + Passive House	188,686	254,047	350,996	447,649	550,705	1,196,995
Part L 2025 + District Heating	153,825	213,440	275,954	339,261	419,532	806,361
2025 Pt L & 100% M4-2	37,084	50,853	67,498	84,235	103,943	210,540
2025 Pt L & 90% M4-2, 10% M4-3	38,273	53,303	68,341	83,609	103,464	195,337
2026 Pt L & 95% M4-2, 5% M4-3	56,601	78,829	101,069	123,647	153,011	288,880

Source: HDH (October 2022)

10.19 The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies. When considering these it is important to note that the above costs are just the cost of incorporating that element of policy compliance, however these changes can have an impact on the wider economics of the project. By way of example, building to higher environmental standards, may have a positive impact on prices.

Affordable Housing

10.20 The above analysis does not take into account the costs of delivering affordable housing. Affordable Housing is a key priority for the Council. Further sets of appraisals have been run based on the following policy scenarios, with varied levels of affordable housing. The appraisals are summarised in **Appendix 13**, the table number in brackets referring to the table number in the appendix.

- a. Current National Requirements (EV, BNG, 2021 PtL), adopted CIL, Developer Contributions £2,500 (Table 2).
- b. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 (Table 3).

- c. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with **Space Heating** target (Table 4).
- d. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with **Photo Voltaic** (Table 5).
- e. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with **Passive House** or similar (Table 6).

10.21 The results are summarised as follows, showing the maximum level affordable housing in each scenario:

Table 10.5 Maximum Affordable Housing Provision by Environmental Standards						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
a. Current National Requirements (EV, BNG, 2021 PtL), adopted CIL, Developer Contributions £2,500						
West	40%	10%	20%	35%	40%	30%
East	40%	10%	20%	0%	10%	20%
Sovereign		10%	20%	35%	40%	30%
b. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500						
West	40%	10%	15%	35%	40%	35%
East	40%	10%	15%	0%	10%	15%
Sovereign		10%	15%	35%	40%	30%
c. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Space Heating target						
West	40%	10%	10%	35%	40%	30%
East	40%	10%	10%	0%	0%	5%
Sovereign		10%	10%	35%	40%	30%
d. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Photo Voltaic						
West	40%	10%	10%	35%	40%	30%
East	40%	10%	10%	0%	0%	5%
Sovereign		10%	10%	35%	40%	30%
e. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Passive House or similar						
West	40%	5%	5%	30%	40%	30%
East	40%	5%	5%	0%	0%	0%
Sovereign		0%	5%	30%	40%	30%

Source: HDH (October 2022)

10.22 This analysis shows the impact of higher standards on the ability to deliver affordable housing, although the impact varies considerably depending on the nature of the development. The lower density housing and houses with flats schemes generate Residual Values that are considerably less than the flatted schemes.

Affordable Housing Tenure

10.23 The above analysis assumes that the affordable housing for rent is delivered as Affordable Rent and the First Homes are delivered subject to a 30% discount. Further appraisals have been run to assess the impact of the affordable housing for rent is delivered as Social Rent and the First Homes are delivered subject to a greater than 30% discount based on the anticipated national requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500.

Affordable Rent v Social Rent

10.24 **Appendix 14** includes the results of further sets of appraisals where the affordable housing for rent is delivered as Social Rent rather than Affordable Rent. This is directly comparable with Table 3 in Appendix 13.

10.25 This analysis shows that across the typologies, the Residual Value falls by about £200,000/ha for each 5% increase in affordable housing, where the affordable housing for rent is provided as Affordable Rent, the consequence of this is that for each 5% increase in affordable housing, the amount that a developer can afford to pay a landowner is reduced by about £200,000/ha. The impact of Social Rent is greater, the Residual Value falls by about £300,000/ha for each 5% increase in affordable housing, where the affordable housing for rent is provided as Social Rent, so for each 5% increase in affordable housing, the amount that a developer can afford to pay a landowner is reduced by about £300,000/ha.

10.26 Within this analysis there are considerable differences as shown in the following table summarising the results in the West area:

Table 10.6 Reduction in the Residual Value as a Consequence of a 5% Increase Affordable Housing		
	Affordable Rent	Social Rent
Greenfield	123,243	199,642
Housing	124,728	215,824
Housing & Flats	171,635	274,767
Flats	248,131	381,693
High Density Flats	301,121	462,450
V High Density Flats	522,581	826,755
	208,597	332,112

Source: HDH (October 2022)

10.27 We suggest that the Council is cautious in seeking Social Rent rather than Affordable Rent.

First Homes Discount

10.28 **Appendix 15** includes the results of further sets of appraisals where the First Homes are subject to a 40% and 50% discount.

10.29 With 30% affordable housing, seeking a 40% rather than a 30% discount leads to a fall in the residual value of about £70,000/ha, the consequence of this is that if the Council were to pursue this option then the amount that a developer can afford to pay a landowner is reduced by about £70,000/ha. Likewise seeking a 50% rather than a 30% discount leads to a fall in the residual value of about £140,000/ha, the consequence of this is that if the Council were to pursue this option then the amount that a developer can afford to pay a landowner is reduced by about £140,000/ha.

10.30 We suggest that the Council is cautious in seeking a First Homes discount that is greater than that set out in the national guidance.

Affordable Housing v Developer Contributions

10.31 The key balance in viability is the relationship between developer contributions and affordable housing. Two sets of further appraisals have been run with affordable housing from 0% to 40% and Developer Contributions from £0/unit to £30,000/unit. These developer contribution are in addition to CIL at the prevailing rate. The results are set out in **Appendix 16** and summarised below.

Table 10.7 Affordable Housing v Developer Contributions						
a. Current National Requirements (EV, BNG, 2021 PtL), adopted CIL						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Affordable Housing 0%						
West	£30,000	£5,000	£15,000	£30,000	£30,000	£25,000
East	£30,000	£5,000	£15,000	£0	£5,000	£5,000
Sovereign		£5,000	£15,000	£30,000	£30,000	£25,000
Affordable Housing 10%						
West	£30,000	£5,000	£10,000	£30,000	£30,000	£25,000
East	£30,000	£0	£10,000	£0	£0	£0
Sovereign		£5,000	£15,000	£30,000	£30,000	£25,000
Affordable Housing 20%						
West	£30,000	£0	£0	£25,000	£30,000	£20,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£25,000	£30,000	£20,000
Affordable Housing 30%						
West	£30,000	£0	£0	£15,000	£20,000	£15,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£15,000	£20,000	£15,000
Affordable Housing 40%						
West	£30,000	£0	£0	£5,000	£10,000	£10,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£5,000	£10,000	£10,000

Source: HDH (October 2022)

Table 10.8 Affordable Housing v Developer Contributions						
b. Anticipated National Requirements (EV, BNG, 2025 PtL and Photo Voltaic, 100% Part M4-2), adopted CIL						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Affordable Housing 0%						
West	£30,000	£0	£15,000	£30,000	£30,000	£25,000
East	£30,000	£0	£10,000	£0	£0	£0
Sovereign		£0	£10,000	£30,000	£30,000	£25,000
Affordable Housing 10%						
West	£30,000	£0	£5,000	£30,000	£30,000	£20,000
East	£30,000	£0	£5,000	£0	£0	£0
Sovereign		£0	£5,000	£30,000	£30,000	£20,000
Affordable Housing 20%						
West	£30,000	£0	£0	£20,000	£25,000	£20,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£20,000	£25,000	£20,000
Affordable Housing 30%						
West	£30,000	£0	£0	£10,000	£15,000	£15,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£10,000	£15,000	£15,000
Affordable Housing 40%						
West	£30,000	£0	£0	£0	£5,000	£5,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£0	£5,000	£5,000

Source: HDH (October 2022)

Policy Options

10.32 In due course it will be necessary to bring the above analysis together and settle on a set of policies to take forward into the plan-making process. The following policy suggestions are provided for context and illustrative purposes, and is a consultants (HDH and AECOM) view which do not take into account the Council's wider evidence base or local (political) priorities. In making these suggestions we have taken the following into account:

- a. The delivery of affordable housing is important, however the current 40% target is not delivered on most sites. This implies it should be reduced.
- b. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards. Having said this we understand that the

supply of such sites is constrained and that there is limited scope for such sites to be allocated. It is unlikely to be proportionate to develop a specific set of policies for this type of development site.

- c. The majority of future development will be on brownfield sites and is likely to be flatted development, although this is unlikely to be in tall buildings of 6 or more stories. The results from these types of scheme should be given most weight when developing policies.
- d. On the whole the requirement for developer contributions is relatively limited, and bearing in mind the adopted levels of CIL, is unlikely to exceed more than £5,000 per unit (in addition to CIL).
- e. There is considerable uncertainty over the future of CIL. It would be sensible to delay further consideration of a review of CIL, pending the announcement of details of a new Infrastructure Levy.
- f. That it is likely that, national policy requirements for further increases to Part L of Building Regulations and for all new homes to be built to Accessible and Adaptable – Part M4(2) standards will be mandated before the new Local Plan is implemented so it would be prudent to assume that these are a requirement. Having said this there is uncertainty over the direction of Government policy so the Council should keep this under review.
- g. The Council has declared a climate emergency and has ambitions to limit carbon emissions from development. As set out in Chapter 8 above, and (as advised by AECOM) the costs of meeting higher standards are relatively modest:
 - i. The 2021 changes to Part L of Building Regulations (31% CO₂ saving) to add 3% to the BCIS base costs.
 - ii. The anticipated 2025 Changes to Part L of Building Regulations (+/- 75% CO₂ saving) are expected to add 0.5% to the BCIS base costs.
 - iii. As for ii, but with Air Source Heat Pump (ASHP) - no additional Cost
 - iv. Requirement to add photo voltaic solar panels. Add 3% to houses and 1.5% to flats.
 - v. To reduce space heating to below 30kWh/m²/year. Add 2%.
 - vi. Requirement for all dwellings to be constructed to passive house standard or similar. Add 5% to 2021 Part L
- h. Whilst the results of the appraisals vary somewhat across the Borough (flats are worth more in the west / houses are worth less in the Sovereign area), the differences are relatively small.
- i. Based on the earlier analysis there is not scope to review CIL without adopting significantly lower affordable housing targets. It is assumed, for now, that the Council to not wish to pursue such an option.

10.33 With this in mind we suggest the following policy obligations.



- a. Affordable Housing 30% – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
- b. Design 100% Part M4(2), Water efficiency standards, 10% Biodiversity Net Gain
- c. Climate Change 2025 Part L (energy efficiency), with Air Source Heat Pumps and Photovoltaic panels (although the scope for PV panels is limited on flatted development).
- d. Developer Contributions s106 as £2,500/unit and CIL as adopted.

10.34 If the Council were to follow this advice it would be necessary to be cautious in assuming housing (rather than flatted) development or that development on brownfield sites in the east of the Borough, would come forward, as these are not likely to be viable, like wise housing development (rather than higher density flatted development) in the remainder of the Borough is unlikely to be viable. This is likely to influence the selection of sites for allocation. If such development is to make up a significant element of the new Local Plan then it would be necessary to consider a lower affordable housing target. In the remaining analysis, it is assumed that this suggestion is taken forward – although that should not be taken as read.

Impact of Change in Values and Costs

10.35 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 6.78% over the next 3 years⁷³. We have tested a scenario with increases in build costs up to 20%.

10.36 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested price change scenarios, from minus 10% to plus 15%. In this analysis, as set out in **Appendix 17**, we have assumed all other matters in the recommended appraisals remain unchanged. It is important to note that, only the costs of construction and the value of the market housing are altered.

10.37 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. We recommend that the Councils keep the assessment under frequent review.

Review

10.38 The direction of the market, as set out in Chapter 4 above, is uncertain. Bearing in mind the Council's wish to facilitate the delivery of housing, and the requirements to fund infrastructure,

⁷³ BCIS General Building Cost Index. August 2022 448.2, August 2025 478.6.

it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.39 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

How should viability be reviewed during the lifetime of a project?

Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.

Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.

PPG 10-009-20180724

Older People's Housing

10.40 As well as mainstream housing, we have considered the sheltered and extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. In each case allowance has been made for a s106 developer contribution of £1,000/unit. The full appraisals are set out in **Appendix ##**:

Table 10.9 Residual Value v BLV					
Older Peoples Housing					
	Affordable %	EUV	BLV	Residual Value	
		£/ha	£/ha	Sheltered Housing	Extracare Housing
1	0%	1,500,000	1,800,000	5,246,225	2,739,097
	5%	1,500,000	1,800,000	4,778,094	2,180,013
2	10%	1,500,000	1,800,000	4,243,088	1,620,929
3	15%	1,500,000	1,800,000	3,774,958	1,021,911
4	20%	1,500,000	1,800,000	3,239,951	461,749
5	25%	1,500,000	1,800,000	2,770,726	-123,133
6	30%	1,500,000	1,800,000	2,233,845	-711,823
8	35%	1,500,000	1,800,000	1,764,075	-704,822
9	40%	1,500,000	1,800,000	1,227,194	-1,336,258

Source: HDH (October 2022)

- 10.41 The results for these forms of development show that Sheltered Housing and retirement type schemes are likely to be able to bear up to 30% affordable housing, but extracare schemes only have very limited capacity for affordable housing.
- 10.42 When considering the above, it is important to note that paragraph 10-007-20190509 of the updated PPG, specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for Extracare Housing.

11. Non-Residential Appraisals

- 11.1 Based on the assumptions set out previously, we have run a set of financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 19** and summarised in the table below.
- 11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').
- 11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward, and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.
- 11.4 In the appraisal the costs are based on the BCIS costs, adjusted for BREEAM Excellent (plus 2%). The appraisals include the adopted rates of CIL. In addition, as set out in Chapter 8 above, non-residential development is tested with 5%, 10%, 15% and 20% additional costs so that the impact of moving towards Zero Carbon can be illustrated.

Employment uses

- 11.5 Firstly, the main employment uses are considered.

		Offices - Central	Offices - Small	Offices - Park	Industrial	Distribution
CIL	£/m2	0	0	0	0	0
RESIDUAL VALUE	Site	-2,327,526	-600,347	-2,378,324	-4,126,840	2,759,559
				0		
Existing Use Value	£/ha	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Viability Threshold	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Residual Value	£/ha	-34,912,896	-16,809,711	-5,945,810	-4,126,840	2,414,615

Source: HDH (December 2022)

- 11.6 The above results are reflective of the current market in the Eastbourne BC area and more widely. Office and smaller industrial development are shown as being unviable, but with the larger logistics uses being shown as viable, although we would not anticipate significant levels of logistics uses to come forward in this area.

- 11.7 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the Canterbury area is ‘user led’ being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.
- 11.8 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

Table 11.2 Effect of Greater Construction Costs						
		Offices - Central	Offices - Small	Offices - Park	Industrial	Distribution
CIL	£/m2	0	0	0	0	0
Existing Use Value	£/ha	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Viability Threshold	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Residual Value	£/ha					
BREEAM Excellent		-34,912,896	-16,809,711	-5,945,810	-4,126,840	2,414,615
BCIS +5%		-37,784,669	-18,149,872	-6,424,439	-4,340,716	2,313,303
BCIS +10%		-42,570,957	-20,383,473	-7,222,154	-4,697,175	2,144,450
BCIS +15%		-47,357,246	-22,617,074	-8,019,869	-5,053,633	1,975,597
BCIS +20%		-52,143,534	-24,850,676	-8,817,583	-5,410,092	1,806,744

Source: HDH (December 2022)

- 11.9 This analysis shows that there is scope to seek higher environmental standards on the large logistics uses, but not on office and smaller industrial uses. We would suggest caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail and Hotel

		Prime Retail Central	Secondary Retail	Supermarket	Small Supermarket	Retail Warehouse	Hotel
CIL	£/m ²	103	103	103	103	103	0
RESIDUAL VALUE	Site	-129,578	-310,196	-1,733,032	-859,531	1,820,943	-759,280
					0		
Existing Use Value	£/ha	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Viability Threshold	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Residual Value	£/ha	-5,183,133	-12,407,834	-1,733,032	-2,865,103	2,276,179	-1,725,635

Source: HDH (December 2022)

11.10 It is important to note that, unlike the employment uses, retail is subject to CIL at a little over £100/m². The above results are reflective of the current market in the Eastbourne. Retail development within the town is challenging with little new development having taken place (and little anticipated). Only Retail Warehouse development is shown as being viable, perhaps as a result of less high street activity as a result of the COVID-19 pandemic.

11.11 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

		Prime Retail Central	Secondary Retail	Supermarket	Small Supermarket	Retail Warehouse	Hotel
CIL	£/m ²	103	103	103	103	103	0
Existing Use Value	£/ha	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Viability Threshold	£/ha	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Residual Value	£/ha						
BREEAM Excellent		-5,183,133	-12,407,834	-1,733,032	-2,865,103	2,276,179	-1,725,635
BCIS +5%		-5,709,752	-12,934,453	-2,078,902	-3,210,973	2,063,408	-2,022,595
BCIS +10%		-6,587,450	-13,812,152	-2,655,352	-3,787,423	1,708,790	-2,517,528
BCIS +15%		-7,465,149	-14,689,850	-3,231,802	-4,363,873	1,354,171	-3,012,462
BCIS +20%		-8,342,847	-15,567,549	-3,808,251	-4,940,323	999,553	-3,507,395

Source: HDH (December 2022)

11.12 This analysis shows that there is scope to seek higher environmental standards on the retail warehouse uses, but not on the other uses. We would suggest caution in relation to setting policy requirements for employment uses that would unduly impact on viability.



12. Findings and Recommendations

- 12.1 This chapter brings together the findings of this report and provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of the National Planning Policy Framework so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.
- 12.2 Eastbourne Borough Council is preparing a new Eastbourne Local Plan, which will set out the vision for the Borough to 2039. HDH Planning & Development Ltd has been appointed, as subcontractors to AECOM, to update the Council's viability evidence and produce this Local Plan Viability Assessment as required by the 2021 NPPF and other relevant guidance.
- 12.3 As part of its preparation, the new Local Plan needs to be tested to ensure the planned development is deliverable in line with tests set out in the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG) and the revised Community Infrastructure Levy Regulations. This includes:
- a. assessing the cumulative impact of the emerging policies, including affordable housing.
 - b. testing the deliverability of the key development site allocations that are earmarked to come forward over the course of the Local Plan period.
 - c. considering the ability of development to accommodate developer contributions alongside other policy requirements.
- 12.4 This early viability work is being undertaken to inform the development of policy and explore the impact on the economics of development, of the options that are under consideration. The current adopted CIL Charging Schedule came into effect in April 2015. Consideration will also be given for the scope to review CIL.
- 12.5 This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.
- 12.6 A consultation process was conducted in May 2022. Representatives of the main developers, development site landowners, their agents, planning agents and consultants working in the area and housing associations were invited to comment on an early draft of this report. This report was substantially concluded in October 2022.

Compliance

- 12.7 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS

Professional Standards and Guidance. There are two principal pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Assessing viability in planning under the National Planning Policy Framework 2019 for England, GUIDANCE NOTE* (RICS, 1st edition, March 2021). HDH confirms that the RICS Guidance has been followed.

Uncertainty

- 12.8 This update is being carried out during a period of particular uncertainty, due to the continued impact of COVID-19, the war in Ukraine and significant levels of inflation. There are uncertainties around the values of property and the costs of construction as a result. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. We recommend that the Council keeps the assessment under review.

Viability Testing under the NPPF and PPG

- 12.9 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106.'*
- 12.10 This study is based on typologies that are representative of the type of development expected to come forward under the adopted Local Plan.
- 12.11 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV Plus) approach:

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

- 12.12 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

Viability Guidance

- 12.13 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance. In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner

to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning permission for development.

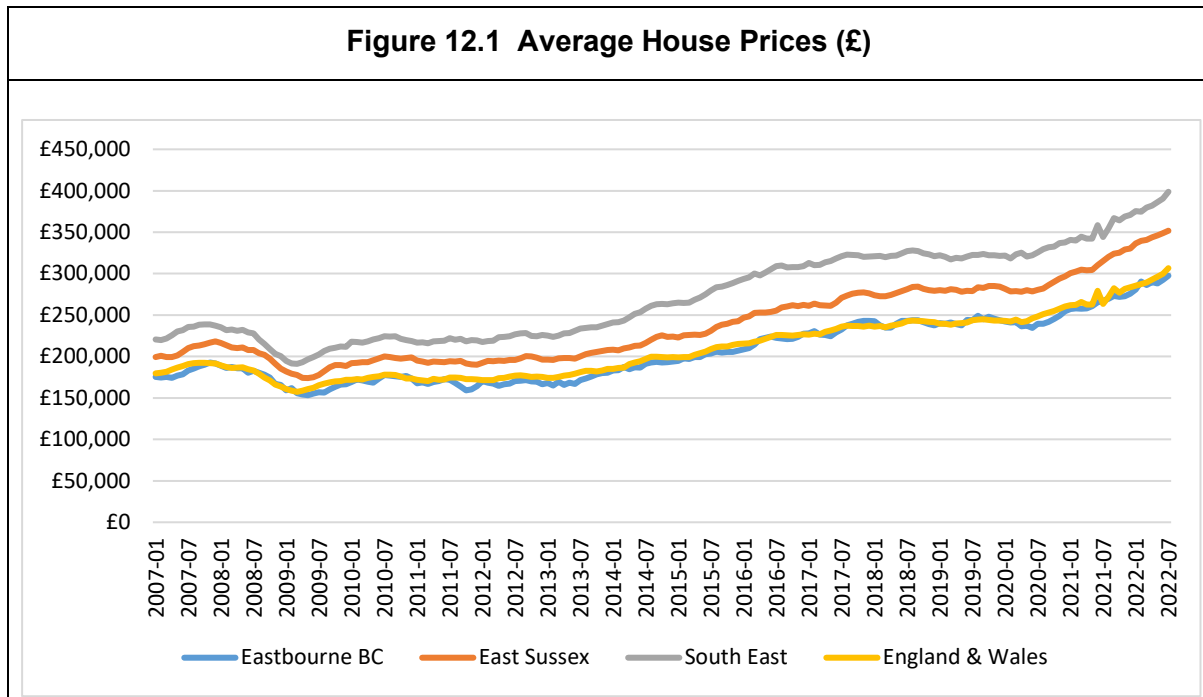
- 12.14 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

$$\begin{array}{r} \textbf{Gross Development Value} \\ \text{(The combined value of the complete development)} \\ \text{LESS} \\ \textbf{Cost of creating the asset, including a profit margin} \\ \text{(Construction + fees + finance charges)} \\ = \\ \textbf{RESIDUAL VALUE} \end{array}$$

- 12.15 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).
- 12.16 The 2021 NPPF and the PPG are clear that the assessment of viability should be based on existing available evidence, rather than new evidence. The evidence that is available from the Council has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

Residential Market

- 12.17 An assessment of the housing market was undertaken.
- 12.18 The housing market peaked early in November 2007 and then fell considerably in the 2007/2009 recession during what became known as the 'Credit Crunch'. Since then, house prices have increased steadily, but are now widely perceived to have peaked and may be falling. Locally, average house prices in the area did not recover to their pre-recession peak until August 2014 but are now about 54% above the 2007 peak. These increases are substantial but are less than those seen across the South East (excluding London) (67%) over the same period. Across England and Wales, average house prices have increased by 60%.



Source: Land Registry (October 2022). Contains public sector information licensed under the Open Government Licence v3.0.

12.19 Based on data published by the Office for National Statistics (ONS), when ranked across England and Wales, the average house price for Eastbourne is 170th (out of 331) at £304,184. To set this in context, the council at the middle of the rank (166th – Swale), has an average price of £309,544. The Eastbourne median price is lower than the average at £272,000.

12.20 The Land Registry shows that the average price paid for newbuild homes in Eastbourne (£397,797) is £111,482 (or 39%) more than the average price paid for existing homes (£286,315). This situation is usual as typically newbuild homes are between 20% and 40% more expensive than average existing homes.

The Local Market

12.21 A survey of asking prices across the Council area was carried out in April 2022, using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated. As part of the research, we have used data from Landmark. This brings together data from the following sources and allows the transactions recorded by the Land Registry to be analysed by floor area and number of bedrooms.

12.22 This data includes the records of 6,738 sales since the start of 2018. Of these, floor areas are available for 6,009 sales and the number of bedrooms is available for 3,967 sales. The data is available for newbuild and existing homes and by ward.

Table 12.1 Average Price by Ward - Newbuild							
		Flat			House		
		Count	Average £	Average £/m ²	Count	Average £	Average £/m ²
Langney		0			11	£331,286	£3,785
	2021	0			11	£331,286	£3,785
Meads		19	£173,079	£4,331	0		
	2021	19	£173,079	£4,331	0		
Sovereign		1	£355,000	£3,034	32	£429,227	£3,317
	2019	1	£355,000	£3,034	17	£416,588	£3,242
	2020	0			11	£445,523	£3,341
	2021	0			4	£438,125	£3,569
Upperton		75	£259,764	£5,305	3	£564,167	£3,423
	2019	22	£320,816	£5,075	0		
	2020	26	£202,694	£5,370	2	£608,750	£3,561
	2021	26	£263,513	£5,396	1	£475,000	£3,146
	2022	1	£302,950	£6,311	0		
All		95	£243,429	£5,086	46	£414,607	£3,436
	2019	23	£322,302	£4,986	17	£416,588	£3,242
	2020	26	£202,694	£5,370	13	£470,635	£3,375
	2021	45	£225,330	£4,946	16	£366,978	£3,691
	2022	1	£302,950	£6,311	0		

Source: Landmark (May 2022)

12.23 It is necessary to form a view about the appropriate prices for the schemes to be appraised in this study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied) the following approach is taken.

- a. **Brownfield Sites.** Development is likely to be of a higher density than greenfield sites and be based around schemes of flats, semi-detached housing and terraces.
- b. **Flatted Schemes.** This is considered to be a separate development type that is only likely to take place in central Eastbourne. These are modelled as conventional development and as Build to Rent (see below).
- c. **Greenfield Sites.** These are likely to be developed as a broad mix including family housing. They are likely to include only a low proportion of flats.

12.24 It is important to note that this is a broad-brush, high-level study to test EBC's emerging plan as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation,

and it is necessary to draw on the widest possible sources of data. In establishing the assumptions, the prices (paid and asking) of existing homes are given greater emphasis when establishing the pattern of price difference across the area and the data from newbuild homes (paid and asking) is given greater emphasis in the actual assumption.

12.25 Care is taken not to simply attribute the values of second hand / existing homes to new homes. As shown by the data above, new homes do not always follow the values of existing homes, particularly in those areas where the existing housing stock is less aspirational. It is also necessary to appreciate that there has been a significant increase in values over the last year that is not yet reflected in the ONS data sources.

12.26 Based on prices paid, the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the wider data presented, the following value assumptions are used.

Table 12.2 Residential Price Assumptions – £/m²			
	West	East	Sovereign
Greenfield	4,100	4,100	
Previously Developed Land	3,375	3,375	3,800
Flatted Development	5,000	4,200	4,200

Source: HDH (October 2022)

Affordable Housing

12.27 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

- a. Social Rent £1,415/m²
- b. Affordable Rent £2,685/m²
- c. Shared Ownership 70% market value
- d. First Homes 70% market value with a £250,000 cap.

12.28 These assumptions have been used in this assessment.

Non-Residential Market

12.29 The following value assumptions have been used:

Table 12.3 Post-Consultation Commercial Values £/m² 2022					
	Rent £/m ²	Yield	Rent free period		Assumption
Offices	£225	6.5%	1	£3,250	£3,050
Industrial	£85	6.5%	2	£1,153	£1,155
Logistics & Distribution	£135	6.00%	2	£2,250	£2,250
Retail – Town Centre	£190	7.0%	2	£2,371	£2,375
Retail (elsewhere)	£140	9.0%	2	£1,309	£1,310
Large Supermarket	£220	6.0%	2	£3,459	£3,460
Small Supermarket	£200	6.0%	1	£3,145	£3,150
Retail warehouse	£180	6.0%	2	£2,670	£2,670
Hotel (per room)	£4,500	5.5%	0	£3,312	£3,315

Source: AECOM

Land Values

12.30 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.4 Existing Use Value Land Prices - 2022	
PDL	£1,500,000/ha
Agricultural	£25,000/ha
Paddock	£50,000/ha
Residential	£4,000,000

Source: HDH (May 2022)

12.31 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

- a. Brownfield Sites: Industrial EUV Plus 20%
- b. Greenfield Sites: EUV Plus £350,000/ha

Development Costs

12.32 These are the costs and other assumptions required to produce the financial appraisals.

Construction costs: baseline costs

7.42 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for the EBC area. The cost figure for ‘Estate Housing – Generally’ is £1,524/m² (and the costs for Flats - Generally is £2,105/m²). The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate

that the volume housebuilders are likely to be able to achieve savings due to their economies of scale.

- 12.33 In addition to the BCIS £/m² build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes.
- 12.34 An additional allowance is made for abnormal costs associated of 5% of the BCIS costs on brownfield sites. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.
- 12.35 For both residential and non-residential development, we have assumed professional fees amount to 8% of build costs. Additional allowances are made for acquisition and disposal costs, planning application fees and Stamp Duty Land Tax.
- 12.36 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% (calculated on the total build costs, including abnormal costs) has been allowed for, with a higher figure of 5% on more risky types of development, on previously developed land.
- 12.37 EBC has adopted CIL. The costs are set out below. In addition, the Council seeks Developer Contributions, for strategic infrastructure and mitigation, under the s106 regime, in line with restrictions set out on CIL Regulation 122, these are treated separately from abnormal costs. Additional costs are allowed for, as set out under the policy section below.
- 12.38 The appraisals assume interest of 7.5% p.a. for total debit balances. No allowance is made for equity provided by the developer.
- 12.39 The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.
- 12.40 An assumption of 17.5% is used for market housing (and First Homes) and 6% for affordable housing. 17.5% is used for non-residential development.

Local Plan Policy Requirements

- 12.41 The specific purpose of this study is to consider and inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies on the planned development. The new Local Plan will replace the *Eastbourne Core Strategy Local Plan* (February 2013) and other extant policy documents. At the time of this pre-consultation

draft report (May 2022) the Council has not developed a full set of policies as that will, in part, be informed by the wider evidence base, including this assessment. The Council completed a consultation in the options available through the Regulation 18 Consultation, *Eastbourne's Direction of Travel: Issues and Options for The Eastbourne Local Plan* in November 2019.

12.42 This early viability work is being undertaken to inform the development of policy and explore the consequences, on the economics of development, of the options that are under consideration. It contains an assessment of the effect of the policy options, in the context of national policies and requirements, in relation to the planned development. This will allow the Council to further engage with stakeholders, to ensure that the new Plan is effective.

12.43 In this report we have reviewed the options set out in *Eastbourne's Direction of Travel: Issues and Options for The Eastbourne Local Plan* (November 2019) using the same 6 key themes:

- a. Carbon Neutrality
- b. Prosperous Economy
- c. Quality Environment
- d. Thriving Communities
- e. Housing & Development
- f. Effective Infrastructure

12.44 We have also had regard to the Council's policy options and changes in national policy. It is important to note that at this stage, some of the options that are considered, are included for completeness and that these are simply options that may or may not be progressed into the new Local Plan.

Modelling

12.45 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

12.46 EBC is considering a number of sites for allocation in the new Local Plan. In line with the PPG the sites have been modelled as typologies. The characteristics of these have been considered to inform the modelling.

12.47 A range of non-residential uses are also modelled.

Residential Appraisals

12.48 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.49 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the affordable housing requirement and developer contributions.

Base Appraisals

12.50 These appraisals are based on the current affordable housing requirements. The national requirements of 10% Biodiversity Net Gain, EV Charging and the increase in Part L of Building Regulations (i.e. energy efficiency) are assumed to apply in all cases.

12.51 The initial appraisals are based on the following assumptions.

- a. Affordable Housing 40% as 30% Affordable Home Ownership / 70% Affordable Rent – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
- b. Design 100% Part M4(2), Water efficiency standards, 10% Biodiversity Net Gain, 2021 Part L (energy efficiency).
- c. Developer Contributions s106 as £2,500/unit on typologies and CIL as adopted.

12.52 The results vary across the typologies, due to the different assumptions around the nature of each typology such as additional costs associated with brownfield sites reduces the Residual Value and density has a notable impact.

12.53 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return. In the following tables the Residual Value is compared with the BLV. The BLV being an amount over and above the EUV that is sufficient to provide the willing landowner to sell the land for development as set out in Chapter 6 above.

Table 12.5a Residual Value v BLV					
West					
			EUV	BLV	Residual Value
1	Large Greenfield 500	West	25,000	375,000	971,229
2	Large Green 250	West	25,000	375,000	1,347,465
3	Green 75	West	25,000	375,000	803,067
4	Green 35	West	25,000	375,000	912,679
5	Green 14	West	25,000	375,000	1,120,787
6	Green 6	West	50,000	400,000	790,698
7	Green 3	West	50,000	400,000	737,679
8	HD Housing 200	West	1,500,000	1,800,000	1,355,566
9	HD Housing 100	West	1,500,000	1,800,000	445,834
10	HD Housing 60	West	1,500,000	1,800,000	482,326
11	HD Housing 30	West	1,500,000	1,800,000	577,152
12	HD Housing 15	West	1,500,000	1,800,000	797,441
13	HD Housing 6	West	1,500,000	1,800,000	429,917
14	Houses & Flats 100	West	1,500,000	1,800,000	624,517
15	Houses & Flats 60	West	1,500,000	1,800,000	282,075
16	Houses & Flats 30	West	1,500,000	1,800,000	528,585
17	Houses & Flats 12	West	1,500,000	1,800,000	781,050
18	Flats 200	West	1,500,000	1,800,000	2,516,091
19	Flats 100	West	1,500,000	1,800,000	2,018,542
20	Flats 60	West	1,500,000	1,800,000	2,067,326
21	Flats 20	West	1,500,000	1,800,000	1,774,888
22	Flats 12	West	1,500,000	1,800,000	1,997,342
23	Flats 6	West	1,500,000	1,800,000	1,162,156
24	Flats HD 200	West	1,500,000	1,800,000	3,752,618
25	Flats HD 100	West	1,500,000	1,800,000	2,529,664
26	Flats HD 40	West	1,500,000	1,800,000	2,180,712
27	Flats HD 18	West	1,500,000	1,800,000	2,596,550
28	Flats VHD 200	West	1,500,000	1,800,000	3,755,723
29	Flats VHD 75	West	1,500,000	1,800,000	974,684
30	BTR Flats 60	West	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

Table 12.5b Residual Value v BLV					
East					
			EUV	BLV	Residual Value
1	Large Greenfield 500	East	25,000	375,000	971,229
2	Large Green 250	East	25,000	375,000	1,347,465
3	Green 75	East	25,000	375,000	803,067
4	Green 35	East	25,000	375,000	912,679
5	Green 14	East	25,000	375,000	1,120,787
6	Green 6	East	50,000	400,000	790,698
7	Green 3	East	50,000	400,000	737,679
8	HD Housing 200	East	1,500,000	1,800,000	1,355,566
9	HD Housing 100	East	1,500,000	1,800,000	445,834
10	HD Housing 60	East	1,500,000	1,800,000	482,326
11	HD Housing 30	East	1,500,000	1,800,000	577,152
12	HD Housing 15	East	1,500,000	1,800,000	797,441
13	HD Housing 6	East	1,500,000	1,800,000	429,917
14	Houses & Flats 100	East	1,500,000	1,800,000	624,517
15	Houses & Flats 60	East	1,500,000	1,800,000	282,075
16	Houses & Flats 30	East	1,500,000	1,800,000	528,585
17	Houses & Flats 12	East	1,500,000	1,800,000	781,050
18	Flats 200	East	1,500,000	1,800,000	1,336,229
19	Flats 100	East	1,500,000	1,800,000	600,399
20	Flats 60	East	1,500,000	1,800,000	602,209
21	Flats 20	East	1,500,000	1,800,000	519,917
22	Flats 12	East	1,500,000	1,800,000	817,811
23	Flats 6	East	1,500,000	1,800,000	59,493
24	Flats HD 200	East	1,500,000	1,800,000	1,979,939
25	Flats HD 100	East	1,500,000	1,800,000	744,587
26	Flats HD 40	East	1,500,000	1,800,000	639,233
27	Flats HD 18	East	1,500,000	1,800,000	1,055,071
28	Flats VHD 200	East	1,500,000	1,800,000	716,845
29	Flats VHD 75	East	1,500,000	1,800,000	-2,384,141
30	BTR Flats 60	East	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

Table 12.5c Residual Value v BLV					
Sovereign					
			EUV	BLV	Residual Value
8	HD Housing 200	Sovereign	1,500,000	1,800,000	1,355,566
9	HD Housing 100	Sovereign	1,500,000	1,800,000	445,834
10	HD Housing 60	Sovereign	1,500,000	1,800,000	482,326
11	HD Housing 30	Sovereign	1,500,000	1,800,000	577,152
12	HD Housing 15	Sovereign	1,500,000	1,800,000	797,441
13	HD Housing 6	Sovereign	1,500,000	1,800,000	429,917
14	Houses & Flats 100	Sovereign	1,500,000	1,800,000	624,517
15	Houses & Flats 60	Sovereign	1,500,000	1,800,000	282,075
16	Houses & Flats 30	Sovereign	1,500,000	1,800,000	528,585
17	Houses & Flats 12	Sovereign	1,500,000	1,800,000	781,050
18	Flats 200	Sovereign	1,500,000	1,800,000	1,336,229
19	Flats 100	Sovereign	1,500,000	1,800,000	600,399
20	Flats 60	Sovereign	1,500,000	1,800,000	602,209
21	Flats 20	Sovereign	1,500,000	1,800,000	519,917
22	Flats 12	Sovereign	1,500,000	1,800,000	817,811
23	Flats 6	Sovereign	1,500,000	1,800,000	59,493
24	Flats HD 200	Sovereign	1,500,000	1,800,000	1,979,939
25	Flats HD 100	Sovereign	1,500,000	1,800,000	744,587
26	Flats HD 40	Sovereign	1,500,000	1,800,000	639,233
27	Flats HD 18	Sovereign	1,500,000	1,800,000	1,055,071
28	Flats VHD 200	Sovereign	1,500,000	1,800,000	716,845
29	Flats VHD 75	Sovereign	1,500,000	1,800,000	-2,384,141
30	BTR Flats 60	Sovereign	1,500,000	1,800,000	-1,138,590

Source: HDH (October 2022)

12.54 In considering the above a useful starting point is to note that the Council does not achieve the current 40% affordable housing requirement on most sites. This would imply that perhaps the current total policy requirements are too high and it may be necessary to take a step back can reconsider the requirements.

12.55 The Residual Value exceeds the Benchmark Land Value by a significant margin on the greenfield sites. The results are the same in the West and the East as the same assumptions are used. It is important to note that the boundaries of the Borough are relatively tightly drawn, and whilst there are greenfield areas and areas of open countryside adjacent to the build-up areas, many of these are highly constrained.

- 12.56 In terms of price assumptions, the same values are applied to housing in both the West and the East of the Borough (£4,200/m²), with a slightly lower assumption being applied in the Sovereign area (£3,800/m²). A different pattern is applied to flatted development, with a higher assumption is applied to the West and Sovereign (£5,000/m²), with a lower assumption being applied in the East area (£4,200/m²). These patterns of price difference are reflected in the results, but also vary based on the density assumptions.
- 12.57 Across the urban area, brownfield sites are unlikely to be viable on the basis tested, the exception being in relation to flatted development in the West of the Borough.
- 12.58 The Build to Rent scheme is shown as unviable.
- 12.59 To assist the Council, a range of other appraisals have been run in various combinations.

Cost of Individual Policies

- 12.60 Policy requirements that add to the cost of development lead to a reduction of the Residual Value. The greater the policy requirements, the less that a developer can pay to the landowner for the land. A set of appraisals has been run to show the additional costs of including higher and the cost saving of lower standards, relative to those included in the base appraisals set out above. The results are shown as pounds per hectare - a positive amount illustrating the cost saving of not including a policy requirement and a negative amount showing the extra cost of a requirement..
- 12.61 The base assumption is that development meets the current national planning policy requirements. This includes the recent increase to Part L of Building Regulations, 10% Biodiversity Net Gain and EV Charging points. It is also assumed that CIL is payable at the current rates, as CIL has been adopted so is therefore mandatory.

Table 12.6 Impact of Individual Policies (£/ha)						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Water Standard	153	213	273	334	413	780
20% BNG	1,570	10,450	14,355	18,952	23,571	53,085
Rainwater Harvesting	68,419	95,289	122,172	149,465	184,959	349,197
Part L 2025	17,292	23,289	32,157	40,999	50,440	109,527
Part L 2025 + Space Heating	85,850	115,592	159,693	203,659	250,546	544,514
Part L 2025 + PV	116,905	154,821	213,895	162,994	200,519	435,768
Part L 2025 + Passive House	188,686	254,047	350,996	447,649	550,705	1,196,995
Part L 2025 + District Heating	153,825	213,440	275,954	339,261	419,532	806,361
2025 Pt L & 100% M4-2	37,084	50,853	67,498	84,235	103,943	210,540
2025 Pt L & 90% M4-2, 10% M4-3	38,273	53,303	68,341	83,609	103,464	195,337
2026 Pt L & 95% M4-2, 5% M4-3	56,601	78,829	101,069	123,647	153,011	288,880

Source: HDH (October 2022)

12.62 The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies. When considering these it is important to note that the above costs are just the cost of incorporating that element of policy compliance, however these changes can have an impact on the wider economics of the project. By way of example, building to higher environmental standards, may have a positive impact on prices.

Affordable Housing

12.63 The above analysis does not take into account the costs of delivering affordable housing. Affordable Housing is a key priority for the Council. Further sets of appraisals have been run based on several policy scenarios, with varied levels of affordable housing.

12.64 The results are summarised as follows, showing the maximum level affordable housing in each scenario:

Table 12.7 Maximum Affordable Housing Provision by Environmental Standards						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
a. Current National Requirements (EV, BNG, 2021 PtL), adopted CIL, Developer Contributions £2,500						
West	40%	10%	20%	35%	40%	30%
East	40%	10%	20%	0%	10%	20%
Sovereign		10%	20%	35%	40%	30%
b. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500						
West	40%	10%	15%	35%	40%	35%
East	40%	10%	15%	0%	10%	15%
Sovereign		10%	15%	35%	40%	30%
c. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Space Heating target						
West	40%	10%	10%	35%	40%	30%
East	40%	10%	10%	0%	0%	5%
Sovereign		10%	10%	35%	40%	30%
d. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Photo Voltaic						
West	40%	10%	10%	35%	40%	30%
East	40%	10%	10%	0%	0%	5%
Sovereign		10%	10%	35%	40%	30%
e. Anticipated National Requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500 – with Passive House or similar						
West	40%	5%	5%	30%	40%	30%
East	40%	5%	5%	0%	0%	0%
Sovereign		0%	5%	30%	40%	30%

Source: HDH (October 2022)

12.65 This analysis shows the impact of higher standards on the ability to deliver affordable housing, although the impact varies considerably depending on the nature of the development. The lower density housing and houses with flats schemes generate Residual Values that are considerably less than the flatted schemes.

Affordable Housing Tenure

12.66 The above analysis assumes that the affordable housing for rent is delivered as Affordable Rent and the First Homes are delivered subject to a 30% discount. Further appraisals have been run to assess the impact of the affordable housing for rent is delivered as Social Rent and the First Homes are delivered subject to a greater than 30% discount based on the

anticipated national requirements (EV, BNG, 2025 PtL, 100% Part M4-2), adopted CIL, Developer Contributions £2,500.

- 12.67 This analysis shows that across the typologies, the Residual Value falls by about £200,000/ha for each 5% increase in affordable housing, where the affordable housing for rent is provided as Affordable Rent, the consequence of this is that for each 5% increase in affordable housing, the amount that a developer can afford to pay a landowner is reduced by about £200,000/ha. The impact of Social Rent is greater, the Residual Value falls by about £300,000/ha for each 5% increase in affordable housing, where the affordable housing for rent is provided as Social Rent, so for each 5% increase in affordable housing, the amount that a developer can afford to pay a landowner is reduced by about £300,000/ha.
- 12.68 We suggest that the Council is cautious in seeking Social Rent rather than Affordable Rent.
- 12.69 A further sets of appraisals has been run where the First Homes are subject to a 40% and 50% discount. With 30% affordable housing, seeking a 40% rather than a 30% discount leads to a fall in the residual value of about £70,000/ha, the consequence of this is that if the Council were to pursue this option then the amount that a developer can afford to pay a landowner is reduced by about £70,000/ha. Likewise seeking a 50% rather than a 30% discount leads to a fall in the residual value of about £140,000/ha, the consequence of this is that if the Council were to pursue this option then the amount that a developer can afford to pay a landowner is reduced by about £140,000/ha.
- 12.70 We suggest that the Council is cautious in seeking a First Homes discount that is greater than that set out in the national guidance.

Affordable Housing v Developer Contributions

- 12.71 The key balance in viability is the relationship between developer contributions and affordable housing. Two sets of further appraisals have been run with affordable housing from 0% to 40% and Developer Contributions from £0/unit to £30,000/unit. These developer contributions are in addition to CIL at the prevailing rate.

Table 12.8 Affordable Housing v Developer Contributions						
a. Current National Requirements (EV, BNG, 2021 PtL), adopted CIL						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Affordable Housing 0%						
West	£30,000	£5,000	£15,000	£30,000	£30,000	£25,000
East	£30,000	£5,000	£15,000	£0	£5,000	£5,000
Sovereign		£5,000	£15,000	£30,000	£30,000	£25,000
Affordable Housing 10%						
West	£30,000	£5,000	£10,000	£30,000	£30,000	£25,000
East	£30,000	£0	£10,000	£0	£0	£0
Sovereign		£5,000	£15,000	£30,000	£30,000	£25,000
Affordable Housing 20%						
West	£30,000	£0	£0	£25,000	£30,000	£20,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£25,000	£30,000	£20,000
Affordable Housing 30%						
West	£30,000	£0	£0	£15,000	£20,000	£15,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£15,000	£20,000	£15,000
Affordable Housing 40%						
West	£30,000	£0	£0	£5,000	£10,000	£10,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£5,000	£10,000	£10,000

Source: HDH (October 2022)

Table 12.9 Affordable Housing v Developer Contributions						
b. Anticipated National Requirements (EV, BNG, 2025 PtL and Photo Voltaic, 100% Part M4-2), adopted CIL						
	Greenfield	Housing	Housing & Flats	Flats	High Density Flats	V High Density Flats
Affordable Housing 0%						
West	£30,000	£0	£15,000	£30,000	£30,000	£25,000
East	£30,000	£0	£10,000	£0	£0	£0
Sovereign		£0	£10,000	£30,000	£30,000	£25,000
Affordable Housing 10%						
West	£30,000	£0	£5,000	£30,000	£30,000	£20,000
East	£30,000	£0	£5,000	£0	£0	£0
Sovereign		£0	£5,000	£30,000	£30,000	£20,000
Affordable Housing 20%						
West	£30,000	£0	£0	£20,000	£25,000	£20,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£20,000	£25,000	£20,000
Affordable Housing 30%						
West	£30,000	£0	£0	£10,000	£15,000	£15,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£10,000	£15,000	£15,000
Affordable Housing 40%						
West	£30,000	£0	£0	£0	£5,000	£5,000
East	£30,000	£0	£0	£0	£0	£0
Sovereign		£0	£0	£0	£5,000	£5,000

Source: HDH (October 2022)

Policy Options

12.72 In due course it will be necessary to bring the above analysis together and settle on a set of policies to take forward into the plan-making process. The following testing is provided for context and illustrative purposes, and is a consultants (HDH's) view which do not take into account the Council's wider evidence base or local (political) priorities. In making these suggestions we have taken the following into account:

- a. The delivery of affordable housing is important, however the current 40% target is not delivered on most sites. This implies it should be reduced.
- b. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards. Having said this we understand that the

supply of such sites is constrained and that there is limited scope for such sites to be allocated. It is unlikely to be proportionate to develop a specific set of policies for this type of development site.

- c. The majority of future development will be on brownfield sites and is likely to be flatted development, although this is unlikely to be in tall buildings of 6 or more stories. The results from these types of scheme should be given most weight when developing policies.
- d. On the whole the requirement for developer contributions is relatively limited, and bearing in mind the adopted levels of CIL, is unlikely to exceed more than £5,000 per unit (in addition to CIL).
- e. There is considerable uncertainty over the future of CIL. It would be sensible to delay further consideration of a review of CIL, pending the announcement of details of a new Infrastructure Levy.
- f. That it is likely that, national policy requirements for further increases to Part L of Building Regulations and for all new homes to be built to Accessible and Adaptable – Part M4(2) standards will be mandated before the new Local Plan is implemented so it would be prudent to assume that these are a requirement. Having said this there is uncertainty over the direction of Government policy so the Council should keep this under review.
- g. The Council has declared a climate emergency and has ambitions to limit carbon emissions from development. As set out in Chapter 8 above, and (as advised by AECOM) the costs of meeting higher standards are relatively modest:
 - i. The 2021 changes to Part L of Building Regulations (31% CO₂ saving) to add 3% to the BCIS base costs.
 - ii. The anticipated 2025 Changes to Part L of Building Regulations (+/- 75% CO₂ saving) are expected to add 0.5% to the BCIS base costs.
 - iii. As for ii, but with Air Source Heat Pump (ASHP) - no additional Cost
 - iv. Requirement to add photo voltaic solar panels. Add 3% to houses and 1.5% to flats.
 - v. To reduce space heating to below 30kWh/m²/year. Add 2%.
 - vi. Requirement for all dwellings to be constructed to passive house standard or similar. Add 5% to 2021 Part L
- h. Whilst the results of the appraisals vary somewhat across the Borough (flats are worth more in the west / houses are worth less in the Sovereign area), the differences are relatively small.

12.73 With this in mind we suggest the following policy obligations.

- a. Affordable Housing 30% – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.

- b. Design 100% Part M4(2), Water efficiency standards, 10% Biodiversity Net Gain
- c. Climate Change 2025 Part L (energy efficiency), with Air Source Heat Pumps and Photovoltaic panels (although the scope for PV panels is limited on flatted development).
- d. Developer Contributions s106 as £2,500/unit and CIL as adopted.

12.74 If the Council were to follow this advice it would be necessary to be cautious in assuming housing (rather than flatted) development or that development on brownfield sites in the east of the Borough, would come forward, as these are not likely to be viable, like wise housing development (rather than higher density flatted development) in the remainder of the Borough is unlikely to be viable. This is likely to influence the selection of sites for allocation. If such development is to make up a significant element of the new Local Plan then it would be necessary to consider a lower affordable housing target. In the remaining analysis, it is assumed that this suggestion is taken forward – although that should not be taken as read.

Older People’s Housing

12.75 As well as mainstream housing, we have considered the sheltered and extracare sectors separately. Appraisals were run for a range of affordable housing requirements. The results of these are summarised as follows. In each case allowance has been made for a s106 developer contribution of £1,000/unit.

Table 12.10 Residual Value v BLV					
Older Peoples Housing					
	Affordable %	EUV	BLV	Residual Value	
		£/ha	£/ha	Sheltered Housing	Extracare Housing
1	0%	1,500,000	1,800,000	5,246,225	2,739,097
	5%	1,500,000	1,800,000	4,778,094	2,180,013
2	10%	1,500,000	1,800,000	4,243,088	1,620,929
3	15%	1,500,000	1,800,000	3,774,958	1,021,911
4	20%	1,500,000	1,800,000	3,239,951	461,749
5	25%	1,500,000	1,800,000	2,770,726	-123,133
6	30%	1,500,000	1,800,000	2,233,845	-711,823
8	35%	1,500,000	1,800,000	1,764,075	-704,822
9	40%	1,500,000	1,800,000	1,227,194	-1,336,258

Source: HDH (October 2022)

12.76 The results for these forms of development show that Sheltered Housing and retirement type schemes are likely to be able to bear up to 30% affordable housing, but extracare scheme only have very limited capacity for affordable housing.



12.77 When considering the above, it is important to note that paragraph 10-007-20190509 of the updated PPG, specifically anticipates that the viability of specialist older people’s housing will be considered at the development management stage. It is therefore not considered necessary to develop a specific policy for Extracare Housing.

Non-Residential Appraisals

12.78 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers’ profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV ‘plus’).

12.79 In the appraisal the costs are based on the BCIS costs, adjusted for BREEAM Excellent (plus 2%). The appraisals include the adopted rates of CIL. In addition, as set out in Chapter 8 above, non-residential development is tested with 5%, 10%, 15% and 20% additional costs so that the impact of moving towards Zero Carbon can be illustrated.

Employment uses

12.80 The above results are reflective of the current market in the Eastbourne BC area and more widely. Office and smaller industrial development are shown as being unviable, but with the larger logistics uses being shown as viable, although we would not anticipate significant levels of logistics uses to come forward in this area.

12.81 The analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. The assumption is that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. The Guidance, as set out in Chapters 2 and 3 above, does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the Canterbury area is ‘user led’ being brought forward by businesses, or for specific end users, that will use the eventual space for operational uses, rather than for investment purposes.

12.82 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from

development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

- 12.83 This analysis shows that there is scope to seek higher environmental standards on the large logistics uses, but not on office and smaller industrial uses. We would suggest caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

Retail and Hotel

- 12.84 Retail and Hotel uses are also considered. It is important to note that, unlike the employment uses, retail is subject to CIL at a little over £100/m². The above results are reflective of the current market in the Eastbourne. Retail development within the town is challenging with little new development having taken place (and little anticipated). Only Retail Warehouse development is shown as being viable, perhaps as a result of less high street activity as a result of the COVID-19 pandemic.

- 12.85 It is clear that the delivery of some types of employment uses is challenging in the current market. The above appraisals assume that development is carried out to the BREEAM Excellent standard. A further set of appraisals has been run to test the impact of higher costs that may arise due to higher environmental standards. The costs will vary considerably from development type and the specifics of each building so additional construction costs of 5%, 10%, 15% and 20% are applied to the appraisals.

- 12.86 This analysis shows that there is scope to seek higher environmental standards on the retail warehouse uses, but not on the other uses. We would suggest caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

Conclusions

- 12.87 This Local Plan Viability Study has been carried out in line with the requirements of the National Planning Policy Framework and the Planning Practice Guidance, including incorporating a period of consultation.

- 12.88 In terms of property development, the Eastbourne Council to be active, with a strong market for the right scheme in the right place. Having said area is perceived this, some areas remain challenging, the low house prices in some areas do make the delivery of new housing less easy. All types of residential and non-residential development are coming forward.

- 12.89 The purpose of this assessment is not to test specific policies, rather it is to inform the plan-making process. In due course EBC will bring the findings of this report together with the wider evidence base and settle on a set of policies to take. The following testing is provided for context and illustrative purposes, and is a consultants (HDH and AECOM) view which do not take into account the Council's local (political) priorities. In making these suggestions we have taken the following into account:

- a. The delivery of affordable housing is important, however the current 40% target is not delivered on most sites. This implies it should be reduced.
- b. The viability testing includes a range of greenfield sites, and these have the greatest capacity to bear planning obligations such as affordable housing, developer contributions and environmental standards. The supply of such sites is constrained and that there is limited scope for such sites to be allocated. It is unlikely to be proportionate to develop a specific set of policies for this type of development site.
- c. The majority of future development will be on brownfield sites and is likely to be flatted development, although this is unlikely to be in tall buildings of 6 or more stories. The results from these types of scheme should be given most weight when developing policies.
- d. On the whole the requirement for developer contributions is relatively limited, and bearing in mind the adopted levels of CIL, is unlikely to exceed more than £5,000 per unit (in addition to CIL). There is not scope to review CIL without adopting significantly lower affordable housing targets. It is assumed, for now, that the Council to not wish to pursue such an option.
- e. There is considerable uncertainty over the future of CIL. It would be sensible to delay further consideration of a review of CIL, pending the announcement of details of a new Infrastructure Levy.
- f. That it is likely that, national policy requirements for further increases to Part L of Building Regulations and for all new homes to be built to Accessible and Adaptable – Part M4(2) standards will be mandated before the new Local Plan is implemented so it would be prudent to assume that these are a requirement. Having said this there is uncertainty over the direction of Government policy so the Council should keep this under review.
- g. The Council has declared a climate emergency and has ambitions to limit carbon emissions from development. As set out in Chapter 8 above, and (as advised by AECOM) the costs of meeting higher standards are relatively modest:

12.90 Whilst the results of the appraisals vary somewhat across the Borough, the differences are relatively small.

12.91 With this in mind we suggest the following policy obligations.

- a. Affordable Housing 30% – in line with the requirements for 10% AHO and 25% of affordable homes to be First Homes.
- b. Design 100% Part M4(2), Water efficiency standards, 10% Biodiversity Net Gain
- c. Climate Change 2025 Part L (energy efficiency), with Air Source Heat Pumps and Photovoltaic panels.

12.92 If the Council were to follow this advice it would be necessary to be cautious in assuming housing development or that development on brownfield sites in the east of the Borough,

would come forward, as these are not likely to be viable, like wise housing development (rather than higher density flatted development) in the remainder of the Borough is unlikely to be viable. This is likely to influence the selection of sites for allocation. If such development is to make up a significant element of the new Local Plan then it would be necessary to consider a lower affordable housing target. In the remaining analysis, it is assumed that this suggestion is taken forward – although that should not be taken as read.

- 12.93 It is clear that the delivery of some types of employment uses is challenging in the current market. There is little scope to seek higher environmental standards on the non-residential, retail or hotel uses. We would suggest caution in relation to setting policy requirements for that would unduly impact on viability.



HDH Planning & Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.

The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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