Portsmouth City Council

Affordable Housing
Economic Viability Study
Update 2010

Final Report

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Report for the consideration of Portsmouth City Council
This does not constitute Council Policy.

Prepared by

55 West Street
Chichester
West Sussex
PO19 1RP
01243 771304
www.adamsintegra.co.uk

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Background

- Portsmouth City Council is producing its Local Development Framework Core Strategy and associated Development Plan Documents. Those will set out the future planning policy framework including on planning-led affordable housing; the supply source of affordable homes considered by this strategic overview viability study update.

- This study builds on the strategic development viability overview conducted by Adams Integra (Affordable Housing Economic Viability Study) for the Council which was completed in December 2005. It uses the same methodology as that previous study, based on residual land valuation, but with updated assumptions where those have been considered appropriate. This update needs to be read in conjunction with the 2005 study.

- An update is necessary to maintain the topical nature and robustness of the policy evidence base, particularly given recent changes seen in the property market and also bearing in mind varying development costs since the earlier study assumptions were applied. This update therefore considers aspects such as variation in property values, sustainable construction and design and variations to wider planning obligations.

- Essentially the aim of this update is to consider whether, in light of these factors, the study recommendations remain valid in the context of policy targets to provide clarity and underpin the negotiated basis for planning-led affordable housing provision – as that study explained.

The Exercise

- Developer-type residual land value (RLV) appraisals were again carried out re-investigating the impact of affordable housing on schemes of 5 or more dwellings.

- The property values information has been updated from the 2005 study through further desktop research carried out from January to March 2010.

- We reiterate that key considerations taken into account in the assessment of viability are developer's profit and landowner's sale price. If profit levels fall below a certain point then developers may be unwilling to take the risk of developing a site or unable to secure funding. Equally, if the price offered by a developer to a landowner for a site is too low, the landowner may decide not to sell and instead continue with, or pursue, an existing or alternative land use.

- An increase in the percentage of affordable housing on a site (including a newly introduced requirement, from zero) reduces the overall sales revenue a developer can expect to receive. This is because the revenue received for affordable homes is significantly lower than from market sale units. These costs are generally passed on to the landowner by way of reduced land value, since particular development profit levels generally need to be maintained. This is why the consideration of development viability is a key aspect of affordable housing policy development, to ensure that site supply is not unduly affected.

The Key Outcomes and Conclusions

- The latest available data at the time of writing this update (March 2010) Land Registry House Price Index figures for Portsmouth indicated that property values are very nearly identical to those of October 2005 (the point at which the research for the original study was carried out). This is combined with an annual increase as of March 2010 (latest available data) of 11.3%. The degree to which this is going to be maintained is impossible to state at present.

- The overall fluctuations seen in market conditions and house prices since the 2005 study demonstrates that the type of overview approach we adopted to reviewing a local range of values was appropriate and remains so. For this update study we looked at values ranging from £2,000 to £5,500 per square metre overall. This is an extended range from the 2005 study to take into account any further changes in property market conditions (i.e. values falling lower than currently seen). We consider that in taking and now checking our strategic overview of the property values range most appropriate for reviewing development viability locally that our selected Values Points remain relevant in terms of most new build development likely to take place in Portsmouth City in the foreseeable future. We need to look at viability from a strategic, long-term perspective and set targets accordingly. In our view it is not appropriate to vary affordable housing targets in response to possibly short-term variations in the market – as have been seen recently. Affordable housing requirements should be set as targets and applied flexibly as market conditions along with the usual range of site specific factors dictate.

- There has been a relatively large increase in the cost assumptions used for this study when we take into account potential requirements to meet sustainable construction and design standards, planning obligations costs and overall build cost rate increases. However, this has to be viewed alongside the fact that a cautious view of the planning obligations costs has been factored into the appraisals and that future cost of achieving sustainable construction and design standards are not likely to be as high as at present. Through our assumptions we do not under-allow in such areas – if anything costs may be lower than we have assumed in some respects. In addition, values are still some 21% below their peak levels suggesting that over the life of the Plan there is likely to be further increases in values. We re-emphasise the findings of our original study in that we consider **a headline target of no more than 30% affordable housing is still the right approach** (especially combined with trends on costs and wider planning obligations). In addition, the findings of this study point to support for a reduction in the threshold at which a 30% proportion is applied from 20 to 15 units. The findings provide continued support for the Council's tiered approach to affordable housing on sites of between 10 and 14 units and support is given to a lowered threshold of 8 units at which a 20% target proportion of affordable housing will be required.

- These recommendations are likely to present a significant degree of challenge (particularly so in weak market conditions), but we think appropriately so given the need for the Council to seek a balance between the severe affordable housing needs and the opposing tension of viability.

- There can be no specific viability cut-offs, guaranteed positions or fixed rules unfortunately. Key in all of this will be for the Council to be mindful of the collective burden on schemes, to stay aware of local market conditions and value levels, and from those points to continue to operate policies in a practical way which deals with flexibility as needed. It will still need to do so in a way which seeks to optimise affordable housing and other planning requirements as far as the scope exists in the range of specific circumstances it will come to facilitate with developers, RSLs, landowners, the HCA and other stakeholders.

- Portsmouth City is an area which includes some low property values in the South East context, but also includes areas with values consistent with regional levels and some pockets of very high values. Relative to average incomes the lower values still bring affordability issues whilst also driving indicative RLV results for residential development schemes that are not as strong as many sets of results we see, especially when taking account of the range of wider obligations considered alongside affordable housing. This combination of factors has led to our recommendation of lower proportions of affordable housing being sought than perhaps seen elsewhere in many locations within the regional and sub-regional context.

- All policy positions would need to be kept under review in light of delivery experiences, as a part of the Council's ongoing monitoring of a range of inter-related factors such as site supply, housing market trends, needs and local affordability. That process should be linked with contingency planning – in the event that the monitoring work points to adjustments being made to the approach. Viability will also need to be considered relative to cost areas, particularly if those increase in the future. We consider it likely that some schemes will not be able to bear the full affordable housing requirements, alongside higher sustainability levels, based on current costs. Compromise – some degree of prioritisation – is likely to be necessary as part of the adaptable, negotiated approach.

- The Council will need to consider the detail of policy application. This would include whether the approach would be relevant to all new dwellings, or to net numbers of new dwellings. Clarity on all such aspects would be needed.

- In accordance with the 2005 study, this update confirms that site specifics and associated outcomes will be variable – this strategic overview sits above and informs that second layer of consideration without prejudicing particular outcomes.

1 INTRODUCTION and BACKGROUND

Note: **This Report is for the consideration of Portsmouth City Council in considering policy development - it does not constitute Council Policy.**

1.1.1 Portsmouth City Council is producing its Local Development Framework (LDF), in line with the requirements of the Planning and Compulsory Purchase Act 2004. Through a number of key policies, the LDF will guide and control the future use and development of land over the plan (LDF) period.

1.1.2 Two rounds of issues and options consultation were carried out in November - December 2006 and October - November 2007. The results of these have been analysed and have helped to inform the City Council's preferred options for the Core Strategy along with a variety of studies.

1.1.3 To help inform and influence the policies on affordable housing provision within the Core Strategy Development Plan Document (DPD) of the LDF, the Council commissioned Adams Integra to carry out an update to the previous Affordable Housing Economic Viability Study[1] carried out in 2005. This was carried out in the context of providing evidence for the Council's Local Plan Review.

1.1.4 The broad objective of the study was to gain an understanding of the development economics associated with providing planning-led affordable housing through market housing development schemes in Portsmouth City. It examined how the development viability of market housing sites is affected by various potential policy options for affordable homes. The policy options explored covered a range of potential combinations of affordable housing thresholds and proportions, and also looked at varying affordable tenure mix.

1.1.5 The original study was commissioned in September 2005 and completed in December 2005, based largely on values research and review of other information undertaken in October 2005. It set out Adams Integra's findings, and from those, our suggested areas for consideration and recommendations for affordable housing policy options. These included recommendations on potential site size thresholds and the proportions of affordable housing that could be sought on a range sites.

1.1.6 The Council considered those outputs in preparing its affordable housing policies within the Local Plan Review[2] and the adopted the following policies:

"The Council will seek to secure the provision of affordable housing on all sites capable of providing 10 or more dwellings, or measuring in excess of 0.3 hectares. The quantum of affordable dwellings required will be a minimum of

[1] Adams Integra – Affordable Housing Economic Viability Study (December 2005)
[2] Portsmouth City Local Plan 2001-2011 (adopted 21 July 2006)

20% for 10 units and 30% for sites of 20+ dwellings or measuring over 0.6 hectares.

The quantum of affordable housing required on sites of between 10 and 20 dwellings will be as set out in the table below:"

Total number of dwellings	Percentage affordable dwellings	Number of affordable dwellings
10	20%	2
11	20%	2
12	25%	3
13	25%	3
14	25%	3
15	27%	4
16	27%	4
17	27%	4
18	28%	5
19	28%	5
20	30%	6

1.1.7 Since the adoption of the Portsmouth Local Plan, the Council has been working on reviewing policies for the Local Development Framework, including on Affordable Housing to see whether those policies remain relevant.

1.1.8 The relevant Regional Spatial Strategy (RSS) covering Portsmouth City is the South East Plan (SEP), adopted in May 2009 and covering the period to 2026. The main thrust of the SEP is to meet the region's housing requirement and to create and maintain sustainable communities in all areas. The SEP housing requirement for Portsmouth City is 735 dwellings per year, or a total of 14,700 over the SEP period. Policy H3 of the SEP (Affordable Housing) sets a regional target of 25% of all new housing for social rented tenure, plus 10% for intermediate affordable tenure. That plan also states that local authorities can develop their own positions, based on an assessment of economic viability, scale of need and overall impact on overall levels of housing delivery. Other cues are provided on density (overall, at 40 dwellings per hectare), mix and other factors.

1.1.9 The Council has therefore asked Adams Integra to provide an update study that re-examines economic viability taking into account the economic and property market downturn that developed and took hold from around Autumn 2007, worsened through 2008 and remains with us. The update also provides an opportunity to check or reconsider other key assumptions and their effect on viability – particularly on development costs related to the climate change agenda (for example sustainable construction and renewable energy) and also to wider planning obligations/contributions levels which in our experience have increased or will be increasing.

1.1.10 The original study was carried out prior to the peak of the housing market (in Spring of 2008 with sales volumes peaking in July 2007). Values continued to rise from October 2005 (the point at which the research for the original study was carried out) through to February 2008 and then declined steeply through to April 2009. There has since been a steady rise in prices again from that point so that values now are almost exactly what they were in October 2005. The sales volumes figures for Portsmouth also declined steeply from July 2007 to volumes at only about a sixth of those peak levels by early 2009. Sales volumes began rising steadily from March 2009, so that in the latest available figures (reported by the Land Registry for December 2009) they are higher than at the time of the original 2005 study. The Land Registry house price index shows the lag-effect in the effect of this on house prices. Much economic and therefore housing market uncertainty remains at the point of us considering this update. Many commentators suggest that the degree of housing market recovery seen through the latter half of 2009 was fragile and that during 2010 at least the prospects are very uncertain – a further weakening (or reversal of some of the recovery trend at) is certainly possible. It is interesting to now see that the previous study research (and therefore fixing of assumptions) preceded the market peak.

1.1.11 This is a very challenging time in which to be considering development viability and indeed delivering housing. However, we also consider it a good point at which to be considering policy development, ready to re-set and clarify expectations for what are likely to be some more active development periods, again, at various points moving forward into and through the plan period.

1.1.12 The changing market and changes to other policies that can affect the viability of affordable housing policies are key drivers for this update, to see whether the previous range of housing values assumptions remains relevant. It also enables a strategic viability view to be taken in the context of potentially varying market conditions moving forward.

1.1.13 Given our previous findings, this update assesses the impact on land values and therefore the viability of potentially lowering affordable housing thresholds further so that schemes providing new dwellings from 8 units or more contribute towards meeting affordable housing needs.

2 METHODOLOGY and ASSUMPTIONS

2.1 Introduction and appraisals basis

2.1.1 This study is set in the context of the original development viability study carried out between September and December 2005 and should be read with that study in mind. The full methodology applied and detail provided in that study is not repeated here. However, those assumptions and details that have been varied from the original study in carrying out this update are set out in this report. In brief this study has included:

- Re-examination of property values and key areas of scheme costs (build costs and fees, etc).

- Re-investigation of on-site affordable housing policy in relation to the Council's tiered approach. The study began by investigating sites of 5, 10, 15, 20 and 50 units with proportions of affordable housing fixed as per the table in 1.1.6 and adopted policy but taking into account the Council's potential policies on sustainable construction and design and other planning obligations costs. We also investigated the possibility of a lower affordable housing threshold (reduced from the current 10 unit threshold). As the study progressed and discussions were held with the Council, an alternative tiered approach to affordable housing requirements was put forward by the Council as part of its consideration of policy development. This meant that additional modelling needed to be carried out on sites of 8, 11, 14 and 15 units (see Appendix I – Development Scenarios) to reflect potentially the lowering of the affordable housing threshold to 8 units whilst also altering the number of affordable units required at each step of the tiered approach. Figure 1 below shows the updated policy position that the Council required testing.

- Considered trends associated with the viability impacts from the Council's proposed policies on sustainable design and construction.

- Considered the impact of developer's profit by testing at two different levels.

- Assumed for all appraisals an affordable tenure split of 70% affordable rent/30% intermediate (in practice, particularly on the smallest schemes for which it is intended an on-site affordable housing approach will apply, it is not possible to reflect this or indeed any other tenure mix). The Appendix I development scenarios grid shows the notional dwelling mixes applied – with the number and tenure of private and affordable dwellings (of each dwelling type).

- Again, a no (social housing) grant position has been assumed as a starting point with the impact of grant tested on a sample basis.

Figure 1: New Potential Affordable Housing Policy Requirements Tested Within this Update Study

Total Number of Dwellings	Number of Affordable Dwellings	Equivalent Proportion
5	1	20%
8	2	25%
10	2	20%
11	3	27%
14	4	29%
15	4	27%
15*	5	33%
20	6	30%
50	15	30%

*tested with both 4 and 5 affordable dwellings required

2.1.2 The key thinking underpinning the update study is again that (gross) development value (GDV) is determined by the potential and constraints relevant to a particular site (including planning policy related), which in turn drives the resulting land value after the wider range of development costs are taken into account.

2.1.3 This study builds on the report produced in 2005 by Adams Integra in relation to consideration of affordable housing policies for the Portsmouth City Council Local Plan. This update provides part of the Council's affordable housing evidence base for the Local Development Framework – using Adams Integra's wide experience of these processes and of the necessary judgements involved. This study also reviews the impact of reducing the affordable housing threshold below the currently applied levels.

2.1.4 We have again used our assessments of the impact of varying affordable housing requirements on residual land value (RLV) as our measure in making judgements and putting forward to the Council our recommendations and guidelines. This means that, as with the original study, we have compared the impact of a future potential policy approach with the current policy position (where this varies). We have reviewed the impact on approximate land values of increasing the percentage of affordable housing sought from zero to a range of potential future affordable housing equivalent proportions on a sample of site sizes (sites of 5, 8, 10, 11, 14, 15, 20 and 50). This has been looked at with particular reference to updating (as per Figure 1) the Council's proposed tiered policy approach, as outlined at 1.1.6 above. The scenarios tested also allow us to look at changes to the affordable housing policy, with the potential for a lowered threshold (8 units) and higher proportions of affordable housing.

2.1.5 The schemes appraised for this update are not actual developments. They represent notional housing developments reflecting a range of scenarios that are likely to occur locally, and crucially, that best match how the policy requirements of the Council would operate in those circumstances. They are based, where possible, on matching the Council's potential dwelling mix policy[3]. Again, research into local property prices across Portsmouth City was reviewed to produce realistic sales and therefore development values for the appraisal modelling. This broadly reflects the process carried out for the 2005 study and effectively updates that research so that we could develop an understanding of values levels relative to those found in October 2005 and consider the impacts of the changing market conditions.

2.2 Property Market and Values

2.2.1 Here we will only summarise the key elements of the review process undertaken during January to March 2010 for this update. Appendix III sets out this important aspect of the work in detail – the updated research.

2.2.2 In essence, for this update study we have carried out a fresh desktop review of the pricing of new build schemes currently underway and being marketed within the City. To further inform the market and values overview we also consulted with local agents in the City to confirm (or otherwise) the value patterns highlighted in the 2005 study and seen across the City. We have considered and refer again to wider market reporting from sources such as the Land Registry and Royal Institution of Chartered Surveyors (RICS).

2.2.3 The Value Points methodology we use sets us up well for this exercise and for building on the previous work – enabling the consideration of values varying by locality/scheme types and/or through time with varying market conditions. In determining the range of modelling to be carried out, it was decided to consider a scale of "Value Points" appropriate to the City area as a whole, rather than concentrate on the specifics of neighbourhood areas or centres (within which values can vary greatly in any event). This fits the strategic approach needed. It allows a more meaningful review of trends – how viability varies with the key driver of values. By taking a Value Points approach we cover a range wide enough so that the value levels considered at each Value Point (or between points) can be found anywhere within Portsmouth City. Effectively we are considering what the viability of a scheme might look like if it were moved to a range of locations. The methodology also enables us to review the impact of changing market conditions as are likely to affect values over time. The resulting scope of results then means we can see effectively what happens as we move a particular scheme type around the City and/or expose it to varying market demand levels as could affect its prices.

[3] Portsmouth City Council Draft Core Strategy Policy PCS14 requires that sites delivering 10 or more dwellings, will provide a minimum of 40% of dwellings with 3 or more bedrooms. Discussions with the Council however suggest that this will be regarded as a target for negotiation dependent on site specifics rather than a fixed requirement.

2.2.4 The research resulted in the following range of Value Points (see Figure 2 below) for the update. The methodology we have employed in this report varies slightly from that used in the 2005 study whereby we have used increased scale of values here representing the range seen at the time of this update. In addition, the unit types and development scenarios used for this study differ to provide a broader range of site types reflective of the Council's potential dwelling mix policies. The key information here is the £ per sq m guide values.

Figure 2: Summary of Value Points and Property Types (2010 Update)

Unit Type / Value Point	Value Point 1	Value Point 2	Value Point 3	Value Point 4	Value Point 5	Value Point 6
1-Bed Flat	£100,000	£125,000	£150,000	£175,000	£200,000	£275,000
2-Bed Flat	£134,000	£167,500	£201,000	£234,500	£268,000	£368,500
2-Bed House	£150,000	£187,500	£225,000	£262,500	£300,000	£412,500
3-Bed House	£170,000	£212,500	£255,000	£297,500	£340,000	£467,500
4-Bed House	£200,000	£250,000	£300,000	£350,000	£400,000	£550,000
£ /sq m guide	£2,000	£2,500	£3,000	£3,500	£4,000	£5,500

Figure 3: Summary of Value Bands* and Property Types (2005 Study)

Unit Type / Value Point	Band 1	Band 2	Band 3	Band 4
1-Bed Flat	£105,000	£115,000	£131,000	£190,000
2-Bed Flat	£125,000	£150,000	£183,000	£281,000
1-Bed House	£135,000	£145,000	£165,000	£195,000
3-Bed House	£150,000	£175,000	£210,000	£305,000

*Referred to as Value Bands in 2005 Study

2.2.5 The range of new build pricing in the City for this review ranged from £2,222/m² (minimum), to a maximum of Max £8,892/m²; the average pricing point being £3,727/m². However, this is based on a relatively small sample and affected by the top end values. As an example, the average price without Gunwharf Quay properties sees our average drop to £3,038/m². Allowing for the fact that these are asking price based figures, it is a picture that still fits with values being typically in the middle areas of the range we explored previously.

2.2.6 In terms of the hierarchy of values by settlement, we still feel that the hierarchy set out in the 2005 study remains valid (and broadly confirmed by those agents spoken to in carrying out this update (see Appendix III for detail) as set out here with our new Value Point references:

- VP2: Paulsgrove, Portsea, Stamshaw, Fratton, Landport, Wymering, Somerstown, Buckland

- VP2/3: Copnor, North End, Milton, Eastney, Cosham
- VP3/4: Inland Southsea, Drayton, Farlington
- VP4+: Old Portsmouth, Port Solent, Gunwharf, Southsea Waterfront & Conservation

2.2.7 It must be reiterated that any attempt to define value patterns can only be highly indicative. This is because values can change over very short distances dependent on a site's location and its surroundings, local amenities, etc. In practice, variations in values are often seen down to a street by street level – and sometimes even between ends or sides of streets, and within developments depending on the orientation of dwellings and their outlook, for example.

2.2.8 The indicative property prices shown by dwelling type are products of the £/sq m value levels when applied to the dwelling sizes (in terms of gross internal area (GIA)). Those floor areas have changed marginally from the 2005 study, to align with an appropriate view of the latest HCA dwelling size parameters. These changes do not alter the values assumptions. It is important to note that varying prices from those indicated will be seen – as a result of sometimes widely varying dwelling sizes in the market. The new dwelling sizes (with former in brackets) are:

1 bed flat 50 sq m (51 sq m)
2 bed flat 67 sq m (61 sq m)
2 bed house 75 sq m (N/A)
3 bed house 85 sq m (86 sq m)
4 bed house 100 sq m (N/A)

2.2.9 Reference to the latest issue of the Land Registry House Price Index – for March 2010 (issued 30 April 2010) shows the index for Portsmouth now at 259 (average property price of £145,249) which is approximately 0.03% higher than the October 2005 level (index 258.1 – average price £144,751). We see from this that prices today are at very similar levels to those seen in October 2005.

2.2.10 As with the 2005 study this could not be, and has not been a statistical exercise. This is not an exact science. We reiterate that there is no single right assumption or answer – a range of scenarios and assumptions must be considered, as informed by judgements. Similarly, the interpretation of results and the recommendations that flow from that also involves making judgements.

2.2.11 Whereas the previous study was prepared in a buoyant market on an upward trend, this update is set in the context of what appears to be fragile recovery from a recessionary period, but with continuing uncertainty. Characteristic features of the downturn which have been evident in the recent period include:

- Banks stepping into schemes and cases of house building/development companies ceasing trading.

- Many other house builders and organisations involved in the development industry reducing staff numbers or scaling back operations significantly.

- Some estate agents reducing their presence/"mothballing"offices/ operating reduced office opening hours, etc.

- Many house builders reporting reduced margins overall.

- A very marked slow-down in the rate of construction of new homes.

- Increased instances of developers pulling out of schemes; and delaying starts or slowing scheme progress/ "mothballing" sites.

- Incentives being offered fairly typically on new build sites - such as stamp duty/5% deposit paid/deferred purchase/shared equity/mortgage payments assistance; and perhaps others – dependent on a prospective purchaser's position together with the developer's marketing experience and sale potential of particular plots, etc.

- Some use of guide pricing alone, or even no advertised pricing – associated with terms like "price on application". Some schemes still selling relatively well; with slower sales. This linked to a commonly expressed feeling that too many flats have been built in many places in recent years.

- Sales on some schemes significantly buoyed up by a wide range of developer's own / government sponsored rent to buy / deferred purchase / equity share schemes – in some cases effectively competing with RSL provision on the same sites or locally.

- Some developers considering offers from RSLs for expanded affordable housing quotas on sites, or even entire schemes for affordable homes.

- Extended development periods in some cases, with a knock-on effect of impacted sales progress because there is less for purchasers to see. Purchasers are far less likely to purchase off plan given uncertainty over value movements. This creates a circular effect with regard to build progress on some schemes – i.e. some developers taking a view that build progress needs to be underpinned by firmer sales interest. Others are, however, proceeding based on prospective purchasers typically now wanting "to see what they will get" rather than being so keen to buy "off-plan".

- Fewer investment buyers active.

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

2.2.12 Despite the signs of the potential makings of a more positive market picture, it would be premature to say that the above effects are now a thing of the past. As outlined in Appendix III, a number of high profile commentators currently hold the view that the recent and present spell of recovery is quite fragile. There is a view that the degree of protection of property prices seen has related to the lack of supply rather than to a genuine and significant return of confidence. From this, views develop that the market could fall back again in 2010. Views vary, of course, and the level of uncertainty is high.

2.2.13 One of the principal concerns with the market currently is the volume of sales being achieved rather than simply with value levels. This is difficult to reflect in financial viability terms. It may affect developers' views on risk levels, and it may affect development and finance periods. These will in any event be site-specific factors.

2.2.14 In addition to residential values research we also attempt to gather information on land values more generally to aid comparison of results. We typically find little local market evidence of commercial land use values from agents and others, and this has been the case even more so with little commercial market activity in the recent period. The recession has, if anything, seen the commercial property market hit harder than the residential market. Comparisons will change, and the Council should be aware of these dynamics when reviewing site specific proposals and information.

2.2.15 While the study remained open, any additional information that we gleaned from our discussions with local commercial, as well as residential agents, and from web-based desktop research, is summarised within Appendix III alongside the residential property values information.

2.2.16 The indicative RLVs produced by our latest appraisals have also been compared with (the Government's) Valuation Office Agency (VOA) Property Market Report indications for land values for industrial and B1 (light industrial and office) land. These suggest typical figures for such uses of between

£850,000 to £1.4m/ha[4]. There is scope for a very wide range of comparisons to be applicable from case to case and obviously these could fall outside this range (for example see our comments at 3.2.6). At this strategic level, comparisons must be viewed as one indicator only, and results also viewed in terms of the absolute RLV values (in £s) generated, their %s of GDV and judgements made.

2.2.17 Looking back at the equivalent VOA reporting for July 2005 (i.e. latest available report at the time of the 2005 study) we saw an indicative land price range for industrial/B1 use of between £900,000 to £1.5m/Ha – i.e. indicative values slightly higher than the more recent figures.

2.2.18 In terms of study methodology, the current market conditions and uncertainties are very difficult to reflect – beyond looking at an appropriate range of value levels as may be seen through varying demand for property and more specifically for new homes. In our view it would be impractical for a local authority to move affordable housing and perhaps other viability related planning obligations targets solely in response to what could be relatively short-term market conditions and adjustments. Above all, clarity of expectations needs to be created by policy and maintained so that landowners and developers also see some stability in those positions and consistency in applying them.

2.2.19 In our view the key messages for local authorities in this situation are the need to monitor the market, housing delivery outcomes and trends locally, and respond to those through contingency measures and reviewing policy longer-term. This is also about adopting what should be the established practical and flexible approach to secure delivery of all housing types, with an emphasis on adaptability particularly in the very short- term.

2.3 Appraisal Scenarios – on-site affordable housing

2.3.1 To investigate the impact on development viability of the key areas examined in this update study, Adams Integra were asked to carry out the modelling on a sample of notional site types. The site types modelled were as follows:

5 Unit Housing Scheme
5 Unit Flatted Scheme
8 Unit Mixed Scheme
10 Unit Mixed Scheme
11 Unit Mixed Scheme
14 Unit Mixed Scheme
15 Unit Mixed Scheme
20 Unit Mixed Scheme

[4] Valuation Office Agency (VOA) – Property Market Report (July 2009) - http://www.voa.gov.uk/publications/property_market_report/pmr-jul-09/index.htm

50 Unit Mixed Scheme

2.3.2 A number of development assumptions were fixed when running these appraisals in order to determine the likely impact on development viability of the Councils proposed policies as discussed above.

2.3.3 The basic methodology (residual land valuation) was the same as used in the previous modelling carried out in 2005 but since that time various components of the modelling have been updated to reflect current and potential future circumstances. The range of assumptions and how those have altered from the original study are set out in 2.4.

2.4 Other assumptions varied from the 2005 study

2.4.1 Other key assumptions applied in this update study are as follows (again please refer to 2005 Study for detail):

- **Affordable Tenure Mix and Affordable Housing Transfer (to RSL) Method of payment Calculation**
  70% affordable rent/30% intermediate tenure as per Council's planning obligation SPD[5] which states "the Council seeks to achieve a mix of tenure on residential sites in the interests of creating mixed and balanced communities. As a general rule the Council will seek a 70:30 split of tenure for the affordable housing element, with 70% of the affordable units for social rented accommodation and 30% as various forms of intermediate accommodation, preferably for both rent and purchase. However, the exact mix required will vary from site to site and may depend on the availability of grant." *(The 2005 study was carried out on a tenure neutral basis).*

  For the purposes of this study only, all appraisals have been carried out assuming nil grant with a sample of appraisals carried out assuming social housing grant at a level of £15,000 per person for affordable rented units and nil per unit for intermediate tenure.

  As with the 2005 study, the amount the developer would receive for complete affordable housing units assumes a negotiated approach between the parties. These payments are in turn driven by scheme costs and what the RSL can afford to pay based on its business planning and financial assumptions.

  The likely payment that an RSL would make for an affordable rented or unit of intermediate tenure within this modelling was determined through carrying out a series of appraisals using industry standard software (in this case - "ProVal") making judgements on the range of input assumptions.

[5] Portsmouth City Council – Planning Obligation Supplementary Planning Document (September 2008)

Effectively, the value that could be paid to a developer for completed affordable homes is usually related to the mortgage finance the RSL could raise based on the rental income stream (affordable rent) or capital and rental income stream (in the case of shared ownership or similar products).

In practice, the values generated could be dependent on property size and other factors including the RSL's own development strategies and thus would vary from case to case when looking at site specifics. The RSL may have access to other sources of funding, such as its own resources or recycled capital grant from stair-casing receipts, for example, but such additional funding cannot be regarded as the norm – it is highly scheme dependent and variable and thus has not been factored in here.

The figures used in the appraisals are shown below for each property type. They reflect the sums received per completed affordable home by the developer in return for constructing them (usually for an RSL to which they are transferred):

Figure 4: Summary of RSL type Appraisal outcomes – Assumptions on RSL Payment to Developer based on Unit Type, Value and Tenure (2010 Study)

Rent (Nil Grant)					
Value Point	1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	4 Bed House
1	£37,600	£46,400	£48,000	£55,200	£63,200
2	£41,667	£51,667	£54,167	£61,667	£70,833
3	£46,286	£57,429	£60,857	£67,714	£78,857
4	£49,875	£63,000	£66,500	£75,250	£86,625
5	£54,222	£67,556	£72,000	£81,778	£94,222
6	£68,000	£85,000	£92,000	£99,000	£106,000
Rent (Grant)					
Value Point	1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	4 Bed House
1	£58,400	£77,600	£89,600	£107,200	£124,800
2	£63,750	£84,167	£98,333	£116,667	£135,833
3	£68,571	£90,857	£105,429	£124,286	£145,714
4	£72,625	£96,250	£112,000	£132,125	£154,875
5	£77,333	£102,222	£118,222	£139,556	£163,556
6	£94,000	£124,000	£144,000	£165,000	£184,000
Intermediate (Nil Grant)					
Value Point	1 Bed Flat	2 Bed Flat	2 Bed House	3 Bed House	4 Bed House
1	£58,000	£77,720	£87,000	N/A	N/A
2	£71,875	£96,313	£107,813	N/A	N/A
3	£87,692	£117,508	£131,538	N/A	N/A
4	£103,906	£139,234	£155,859	N/A	N/A
5	£120,000	£160,800	£180,000	N/A	N/A
6	£165,000	£221,100	£247,500	N/A	N/A

Note that the 'N/A' entries within Figure 3 above were where 3 and 4 bed dwelling types were not considered for intermediate tenure for the purposes of this study within the base appraisal dwelling mixes, owing to likely lack of affordability to households in need. In practice this does mean that intermediate tenure of 3 and 4 bed homes would be ruled out – each case would be considered by the Council on scheme specifics.

The exact nature and range of tenure models within an affordable housing mix will often need to be bespoke to a particular location and site – particularly in market conditions where these details are currently so dependent on demand as influenced by mortgage product availability, changing price levels, the Government's constantly evolving range of initiatives, and other factors; alongside the developer's reactions and own practical marketing initiatives.

Current experience with scheme specifics is that in the current climate the RSL type financial appraisals for shared ownership and intermediate rent are producing similar outcomes in respect of what RSLs can afford to pay for dwellings. As with much of this, figures will, of course, vary with scheme specifics.

In looking at our assumptions for intermediate tenure more generically in this way, for shared ownership accommodation our calculations were based on a 35% initial capital sale with 2.5% rent paid by the purchaser on the retained equity. We have assumed that where possible only houses and flats of 2 bedrooms or less would be transferred to an RSL with larger units remaining as private and/or being transferred for affordable rented tenure. This is due to the potential lack of affordability of shared ownership properties where larger units in particular may be unaffordable to the end user. Access to mortgage funds and scale of required deposits may also be an issue in the current economic conditions. Intermediate rents would normally be at up to 80% of market rent levels.

It should be noted that where we refer to shared ownership - and that may still be a part of specific site discussions between the Council, developers and RSLs on intermediate tenure content - other tenure options or models may well now be relevant. The focus will increasingly be on "intermediate tenure" in an adaptable mix alongside the priority needed affordable rented accommodation. Other models, including rented at rates discounted from market rental costs ("intermediate rent") may well be applicable. Those could come into play depending on local specifics such as need, demand, funding, market factors (especially in the current climate) and affordability. In most cases, they will produce improved cash-flows and provide a better viability outcome, compared with affordable rent without grant; and be considered as more market friendly by developers as part of their overall view.

- **Base Build Costs**
  Houses: £1,100/m² applied to the gross internal area of the accommodation (*2005 Study - £1,000/m²).*

  Flats: £1,250/m² applied to the gross internal area of the accommodation *(2005 study - £1,150/m²).*

  Build cost figures have been taken as an indicative base level, supported by our discussions with developers and others, whilst also taking account of a range of information from the RICS' BCIS (Building Cost Information Service) data.

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

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

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

  Build costs have been updated since the original study to take into account potential increased costs, including in relation to Lifetime Homes. Although at the time of this review our understanding is that build costs have fallen notably, this trend could soon be reversed. A strategic view needs to be taken and, overall, it was felt appropriate to increase the build cost assumptions from those used previously.

- **Sustainable Design & Construction**
  As a new base assumption for all schemes and scenarios, it has been assumed in this study that all units comply with the preferred policy approach of the Impetus Study[6]. These potential policies are as follows:

[6] Impetus Consulting Ltd & Greenlight Construction Ltd - Assessing the implications of Portsmouth City Council's draft policy for higher sustainability standards in new developments (August 2009)

<table>
<tr><th>Year</th><th>Overall code level</th><th>Energy level</th><th>Water level</th></tr>
<tr><td>Up to the end of 2012</td><td>3</td><td>4</td><td>3</td></tr>
<tr><td>2013</td><td rowspan="2">4</td><td rowspan="3">5</td><td rowspan="4">5</td></tr>
<tr><td>2014</td></tr>
<tr><td>2015</td><td>5</td></tr>
<tr><td>2016 onwards</td><td>6</td><td>6</td></tr>
</table>

It was agreed with the Council that due to the notional nature of the scheme types modelled in this study, the additional costs of attaining the potential sustainability measures would reflect attaining the various levels of the Code for Sustainable Homes. The costs of achieving those levels of the Code were based on research for the Government's Department for Communities and Local Government (CLG)[7]. These equate approximately to a cost increase over and above our assumed base build costs above of 3–4% at Level 3, 6–8% at Level 4, 25–30% at Level 5 and between 30% to 40 % at Level 6. These are only guides and again site specific details might well vary.

As with all areas of this study this means that the study uses a cautious approach to costs. In reality the cost of achieving overall code level and/ or equivalent energy and water standards are likely to reduce over time with the potential for meeting the CfSH requirements to become less expensive. Technologies and the size of the market place for them could improve. However, we cannot assume those and so do not build in any such savings that may be see through developments in this area.

- **Lifetime Homes**
  Allowance included within above build costs and acknowledged as potential variable cost issue (depending on design and interpretation etc). Approximated at between £165 and £545 per unit. Source:Habinteg Housing Association.

- **Developer's Profit**
  Base assumption increased from 15% of GDV (i.e. of Gross - or total - Sales Value) to 17.5% of GDV. It must be acknowledged that this can vary and figures outside the range assumed for this strategic study purpose might be justified, depending on the development type and therefore the risk reward scenario and/or funder's requirements. The 17.5% base assumption level coincides with the 2009 updated guide position used within the HCA's Economic Appraisal Tool. Note that Gross Development Value means total development value – the value of the scheme when completed (receipt level to the developer). A sample of

[7] Communities & Local Government - Code For Sustainable Homes: A Cost Review (March 2010)

appraisals have also been tested at 20% developer's profit again, as for the original study - building on our acknowledgement that profit levels vary. In the current market conditions we have seen a range of profit outcomes relative to these benchmarks – both going below the original 15% (where profit compromises have been made to support viability and move a scheme on), and above (where increased risk views influenced criteria).

- **Total costs related to fees and contingencies** *have been increased – to 15.5% of build costs - principally through an increased contingency allowance (reflecting the uncertain development climate).*

- **Marketing and Sales Fees**
  Increased to 3% of Estimated Gross Development Value.

- **Legal Fees on Sale**
  Increased to £600 per property.

- **Finance costs**
  Increased by 0.5% from the previous assumption - to 7% - given that while we have seen a historically low base rate climate (base rate maintained at 0.5%), finance costs have remained high and not reflective of that background. House buying and development finance remains relatively difficult to access – at least on favourable terms, related to the risks perceived by the markets and to the fact that lending between institutions is still not working on terms or to the extent that had underpinned the active market in preceding years. We have seen a climate recently (and this continues) whereby rate reductions have tended not to be passed on, certainly not to a significant degree, to borrowers, and where other charges (arrangement fees, etc) have weighed against any cuts. So far as we can see, similar applies in a commercial sense. In summary, at the time of writing, we have no reason to believe that the commercial lending climate has eased significantly even with the Bank of England base rates maintained at 0.5%). We have not increased our assumed finance costs beyond the selected level because this strategic study needs to be based on assumptions which might vary over with time rather than underpinned only on uncertain market based assumptions.

- **Legal Fees on Land Purchase**
  Increased to 0.75% of land value.

- **Planning Application costs**
  Increased to £335 per dwelling.

- **Wider Planning Obligations (Infrastructure payments)**

£*various – see "Planning Obligations" in Appendix I. Details provided by Portsmouth City Council*[8] *using the Council's Planning Contributions Calculator (where there is an option between costs, the higher cost has been assumed). This is a significant increase from the flat rate of £2,000 per unit assumed within the 2005 study. However, for this study a very cautious approach has been tested and it would be rare that the highest costs would apply for each planning obligation. In practice, lower costs are likely to apply in most cases.*

Note - We reiterate the context of the assumption setting from the previous study:

As this is a relative exercise aimed at determining the likely effect of the Council's potential policy positions, a key factor is consistency between assumptions used for modelling scenarios while the affordable housing assumptions are varied. **Specific assumptions and values for our notional schemes may not be appropriate for any particular actual development. As with the original work we are confident, however, that our assumptions are reasonable in terms of making this viability overview and thus in the context of the Council's strategic approach which includes considering and setting clear policy targets. The study is not intended to be used in any other or wider context.**

[8] Portsmouth City Council – Planning Contributions Calculator - http://www.portsmouth.gov.uk/living/12751.html

3 RESULTS, CONCLUSIONS & RECOMMENDATIONS

3.1 Guide to results appendices

3.1.1 Base appraisals were completed on all notional scheme types and variations (as per Appendix I) underpinned by the following key assumptions:

- Developer's profit 17.5% GDV
- 70/30 affordable tenure split, without grant
- Wider planning obligations applied in all cases as per Appendix I
- Sustainable construction and design requirements (CfSH Level 3 (equivalent cost))
- Varying affordable housing requirements (tiered approach)

[Results shown in Appendix II – Tables and Graphs numbered 1]

3.1.2 Those were then all repeated but with a 20% GDV developer's profit assumption (otherwise the same base assumptions applied).

[Results shown in Appendix IIa – Tables and Graphs numbered 2]

3.1.3 Sample appraisals were then carried out on schemes of 20 and 50 dwellings (only) to test the additional impact of compliance with the sustainable design and construction policies over time (shown as equivalent attainment of the Code for Sustainable Homes)

[Results shown in Appendix IIb – Tables and Graphs numbered 3, 4 and 5 relating to CfSH Levels 4, 5 and 6 respectively)].

3.1.4 Appraisals were carried out as at 3.1.3 but this time alongside the 20% developer's profit assumption instead of the base 17.5% GDV.

[Results shown in Appendix IIc – Tables and Graphs numbered 6, 7 and 8 relating to CfSH Levels 4, 5 and 6 respectively)]

3.1.5 Finally, further appraisals were carried out as per 3.1.1 but assuming an element of social housing grant.

[Results shown in Appendix IId – Tables and Graphs numbered 9.

3.2 General – Values and Trends

3.2.1 We will not go into the detail of the results here as those are shown in the appendices, and the results follow the same general pattern as seen for the on-site appraisals in the original 2005 study - with key trends remaining as follows:

- Viability improving from Value Point 1 through to Value Point 6. Graphs 1, 1a and 1b, indicate this clear trend – increasing RLVs with increasing property values (increasing VP level) driving the appraisals.

- The appraisal results showing the weakest viability outcomes are where there is a requirement to achieve the higher sustainable construction and design policy requirements over time at the lower Value Points alongside potentially increased affordable housing targets (be that through a lowered threshold or higher proportion).

- The strongest results (in terms of residual land values) are seen where we have the strongest values and lowest costs in terms of both the sustainable construction and design requirements and affordable housing.

- Although not directly comparable with the previous study, results have deteriorated from previous levels, as would be expected. This is primarily through increased wider scheme costs including those associated with the Council's potential sustainable design and construction policies and the large increase in planning obligations assumptions.

- There has been a relatively small change in property values driving the appraisals when comparing the data from this and the 2005 study. This as a factor has not, in itself, affected the results outcomes.

- The variations to affordable housing requirements investigated in this update deteriorate RLV further at the point at which they differ from the adopted policy positions (see 3.3 & 3.4 below).

- Value Point 1 appraisals produce nil indicative RLV results assuming any affordable housing alongside other base assumptions and wider obligations. This indicates that schemes at these values levels, assuming wider assumptions in line with ours, will be unlikely to be viable in normal circumstances – meaning that compromises not only on affordable housing but also on wider obligations would most likely be necessary. However, Value Point 1 instances are not common. This value level is more representative of lower end values in the event of exposure to further weakening of the market; it is not a key part of the local picture.

- Value Point 2 appraisals begin to produce meaningful RLVs with no affordable housing (alongside wider costs and obligations) but nominal RLVs once affordable housing is assumed at the proposed policy levels. This indicates that compromises may be necessary at this level, and a key factor may well be the level of wider planning obligations assumed – alongside costs associated with the sustainable construction and design policies etc. These levels relate to our original Value Point 1 levels from the 2007/08 study.

- Value Point 3 indicative RLV results point to this being the level at which schemes look to become viable on a more regular basis – supporting affordable housing requirements at proposed levels and alongside wider costs and obligations, especially at base levels of those (Table 1b and Graph 1b, for example again). A 20% profit requirement alongside base level assumptions means more of a reliance on Value Point 3 than Value Point 2 values to support scheme viability.

- A minimum of Value Point 3, but more likely Value Point 4, value levels are probably going to be needed to support the increased CfSH level 4 assumption, particularly alongside increased developer's profit.

- A minimum of Value Point 4, but possibly more likely Value Point 5, values would be needed to support any CfSH aspirations beyond the equivalent cost used for CfSH Level 4 based on current appraisal assumptions – so top end/rising values. The results suggest that looking beyond CfSH 4 would be particularly challenging given the incidence of values available to support an appropriate level of scheme viability for that alongside all other obligations and, again, particularly once an increased level of developer's profit is justified.

- Overall, values at Value Point 3+ are generally needed to support the range of obligations as envisaged. Given the range of values information considered, we consider this to be reasonably reflective of the values seen and not too reliant on market increases to current value levels in many cases.

3.2.2 The fact that the updating (overall increasing) of some development cost assumptions flows through into reduced RLVs (i.e. that the indicative RLVs have deteriorated) is a predictable outcome. This would have caused greater concern if accompanied by a typical picture of very reduced values relative to those assumed previously. As mentioned, there has been a rise and then a fall in values since the research for the original study was carried out but we are not seeing the large reductions in value compared to the peak of the market to the trough. This means that any further principal impacts on viability from the results of this update study are coming from the requirement over time to meet ever increasing sustainable construction and design targets, increased planning obligation requirements and increased affordable housing requirements at some points in the tiered scale.

3.2.3 It is simply not possible to say what a "normal" market is and therefore what that means for values, but it is certainly positive in this study context to be considering values that are below peak (February 2008) levels by around 11%-12% when thinking about policy positions.

3.2.4 Due to the necessary varying of assumptions it is not possible to provide direct comparisons with the previous study results. However, as an example, in this update, the RLV produced on our 15 unit scheme with a requirement for 4 affordable units (adopted policy) is £319,531 or £1,521,576 per hectare at Value Point 3 (Appendix II, Table 1 and 1b) using our costs and other assumptions. If the requirement increases to 5 on-site affordable units, the comparative RLV drops to £199,696 or £950,934 per hectare. This is produced by the latest appraisal assumptions with a requirement to meet CfSH Level 3 and associated planning obligations. It indicates the relatively large impact caused by the increase in the requirement for affordable housing. This result then deteriorates by steps as increased CfSH costs are added in. It also has to be borne in mind, however, that the costs assumed for the purposes of this study will vary from site to site. Build and other costs are likely to vary. In the short term build costs could be lower; in the longer term finance issues and costs could ease. It must also be remembered that the costs assumed for meeting sustainable construction and design policies are based on today's prices. Currently the assumptions cannot allow for potential improvements over time due to technological advances, the markets for these and cost savings that could be made as more innovative ways are found to meet the requirements of, for example, the Code for Sustainable Homes. Developments such as these could all have a positive impact on development viability over time (relative to the current assumptions), particularly as the benchmarks for meeting standards increase and such increased requirements become more the norm.

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

3.2.6 As RLVs associated with development or redevelopment schemes reduce with a falling market and/or rising scheme costs, whether or not sufficient land value is created to incentivise a landowner to sell (or to match or better an existing or alternative use value) becomes more marginal. We have compared our indicative RLV outcomes with the Valuation Office Agency (VOA) July 2009 Property Market Report indications of industrial/B1 land values. The 'b' suffix graphs within the Appendices show these value level indications. Site specifics will often determine whether an owner is going to be sufficiently incentivised to sell. It is simply not possible or appropriate at this strategic study level to assume a given level of "overbid" or incentive to sell as some form of viability cut-off. In practice this will depend on the usually highly specific existing/alternative use scenario or potential, and could also depend on a wide range of factors that may have varying influences, such as:

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

3.3 Lowering the Affordable Housing Threshold

3.3.1 The Council's existing affordable housing policy requires affordable housing from sites of 10 or more dwellings. Where local site supply determines that large numbers of schemes and dwellings fall outside the policy scope, as they do in Portsmouth, our view is that that a more equitable approach overall can result from seeking appropriate affordable housing contributions from a wider range of sites.

3.3.2 We have found from this and all previous studies that we see no evidence of smaller sites being more or less viable than larger ones. Viability is highly dependent on site specifics and is principally value rather than site size driven.

3.3.3 Notwithstanding this general principle, however, there are two key features of smaller sites which we think deserve consideration and a sensitive approach in relation to the affordable housing proportions selected if thresholds are to be lowered.

3.3.4 Firstly, in likely monetary terms, on smaller schemes the RLV may reduce to the point whereby owners of smaller sites will not feel there is sufficient justification to release their land. Development/redevelopment values tend to become more marginal (relative to expectations or alternatives, or possibly to uplift/overbid aspirations). As an example, if we are envisaging the development of an infill scheme for a 5 unit housing scheme, the RLVs remaining after the application of affordable housing policy may not be strong enough to incentivise the owner to sell. Equally, where one or two existing properties are to be bought by a developer to create a larger site for higher density housing, the resulting site will have relatively high "existing use values" – i.e. their market value (buy in cost) will be high prior to any development taking place – and these values usually need to be overcome, which alongside accommodating developer profits and a proportion of affordable housing plus other obligations can render schemes unviable.

3.3.5 Secondly, the sharpest viability impacts are predominantly on sites which provide affordable housing contributions (whether on or off-site) for the first time, as opposed to sites where an increased proportion is sought over that already required. This is where we see the largest impacts of policy.

3.3.6 There is no right or wrong answer in terms of viability, to suggest which threshold point would be viable and which would not. Thresholds have always been arbitrary to a degree. There may be lower risks, and smaller planning obligation burdens on smaller sites but, conversely, there might not the same opportunities for savings through economies of scale. There are a range of factors which could well balance out or alter outcomes either way dependent on the circumstances. The outcomes relate to site specifics, crucially including value levels - again it is simply not possible to say that a smaller site will be more or less viable than a larger one.

3.3.7 In addition, the practicalities of delivery on smaller sites may be more of an issue than viability alone, for example scheme design/integration of affordable homes with the market housing, sustainable management, dealings with RSLs, marketing issues and perceptions, isolation of tenants, etc. Relatively dispersed affordable housing stock can also result from an affordable housing requirement on smaller sites, which may be an issue for RSLs from a sustainable management perspective, and this needs to be considered. Our local authority and RSL clients and contacts have taken varying views on the sustainability of this. This study has looked at a 5 and 8 unit threshold in viability terms only in order for the Council to make its own judgements on the practicality locally of applying those thresholds.

3.3.8 The Council's current stage thinking is that due to practical issues in implementing a policy threshold of 5 units, this should be ruled out at this stage of policy development. We consider that carefully judged policies relating to smaller sites would be viable, and could be made workable from a practical point of view so that the threshold could be lowered to 8 units. The Council's selection of this, or any other particular threshold will also be influenced by its wider evidence and experience relating to likely type and frequency of site supply. As with all such policies, their workability would depend to a large extent on early knowledge of policies and so appropriate clarity for and land value expectations on the part of landowners and developers. It would also require a flexible approach in application of policy noting the potential difficulties in lower value areas, potential abnormal costs or where values fall below the levels typically encountered now.

3.4 Affordable Housing Proportion

3.4.1 We consider that the existing affordable housing policy positions would provide an appropriate balance between housing needs and viability. However, the Council also asked us to investigate a variation to the adopted policy as set out in Figure 1. This means that alongside a requirement for affordable housing at 8 units, the policy would see an increase to 3 affordable units at site size of 11 dwellings; 4 affordable units at a site size of 14 dwellings and 5 affordable units at a site size of 15 dwellings (from the original 2, 3 and 4 affordable units respectively. The headline target of 30% affordable housing remains on sites of more than 15 units and could continue to be supported.

3.4.2 These targets have been modelled and the deterioration in RLV as a result of this policy alone would not, in our view, be a determinant of whether a scheme would be viable or not. However, combined with increased planning obligations requirements (although it is noted that the very highest obligations levels have been modelled here) and sustainable construction and design requirements increasing over time means that these would provide very challenging targets. This discussion does not alter our view that ambitious targets can, and should be set, based on the extent of need which the Council's 2005 Housing Needs Study put at 2,964 affordable units per annum (almost 4 times the overall target for housing delivery). We consider that it would be impractical to adjust targets up or down on what could be a regular basis in response to market movements or other particular viability issues. Such an approach would not provide clarity. In turn, landowners and developers would not be certain in terms of expectations and what those meant for land values and early stage feasibility studies of scheme proposals.

3.4.3 If implemented and given the collective burden on schemes increasing over time, that overall picture will need to be monitored with regard to site specifics and a practical approach by the Council. This may well be the case particularly in the short-term while a degree of continued uncertainty in the economy and property market will be more likely to impact on viability viewed against the growing planning requirements.

3.4.4 In terms of interpretation of results and making of judgements for recommendations, that has to be viewed in the longer-term strategic context of the development plan time span and objectives, and the imbalance in the local housing market (lacking affordable supply). Any study such as this has to assume a market that will supply private homes and therefore a proportion of affordable homes with those – this whole area of policy is based on that starting point.

3.4.5 We cannot predict what impact market trends will have on the relevant value levels as time moves on, but the Value Points methodology means that changing values are accounted for. Our studies consider land value impacts from a cautious viewpoint. This is an approach we have adopted through several years of carrying out such studies, as it is not appropriate not to take an over-optimistic view of financial viability, even in more buoyant market conditions.

3.4.6 We think it unrealistic to expect to update the viability study work wholesale on a very regular basis in response to emerging or changing market trends over a short period of time. Instead, we think it more relevant and appropriate for the Council to continue monitoring its local market (perhaps in a similar way to that done here, but by no means fixed) and, related to that, adopt flexibility in its approach to the affordable housing and other planning obligations required particularly when clear and robust evidence of site viability difficulties is presented.

3.5 Summary of Key Findings and Recommendations

3.5.1 We re-emphasise the findings of our original study in that we feel a **headline target of no more than 30% affordable housing** is still the right approach (especially combined with trends on costs and wider planning obligations).

3.5.2 The findings of this update study point to **support for a headline affordable housing policy target of 30% on sites of 15 or more dwellings,** lowered from a policy of 30% affordable housing at 20 units or **more.** We consider in viability and practical terms this represents a suitable point from which to consider the application of policy to smaller sites.

3.5.3 The findings of this study also provide **continued support for the Council's adopted tiered approach to affordable housing thresholds and targets in viability terms** as per sites of between 10 and 14 in the table at 1.1.6 of this study.

3.5.4 In addition, **support can be given for a reduction in the threshold for affordable housing to 8 dwellings** (from 10) with a requirement for 20% affordable housing at this point.

3.5.5 An additional point could be introduced at 11 dwellings so that the Council's proposed alterations to the tiered approach would **seek as a target, 20% affordable housing from sites of 8 to 10 dwellings; 25% from sites of 11 to 14 dwellings and 30% at sites of 15 or more dwellings.** The rounding of affordable housing numbers (where not whole numbers) would be dealt with on a site by site basis and applied practically and flexibly.

3.5.6 As an alternative option this policy could be set out in simple terms by requiring 20% affordable housing from sites of between 8 and 14 units where the rounding of affordable housing numbers (where not whole numbers) would be dealt with on a site by site basis and applied practically and flexibly.

3.5.7 In all options, scheme specifics will determine exactly how the tiered approach is applied site by site. **Affordable housing is not just about numbers** but also about affordability, type, size, tenure, quality, funding, location and choice, etc. Therefore we envisage that the exact application of the tired approach for a particular scheme size (where a range of outcomes is possible) will be negotiated given these other aspects of the affordable housing provision too. **Affordable housing would be considered in the round**, not just on a numbers basis.

3.5.8 The positions, wherever finally pitched in terms of proportions sought, will **need to be regarded as targets**. They **should form a clear basis for a negotiated approach**, responsive to scheme priorities, collective impacts and viability issues where justified and appropriate.

3.5.9 In the case of all policy positions ultimately selected (whether through keeping the existing policy or through moving forward with the alternative options discussed above) **the role of viability considerations needs to be acknowledged in the policy approach**. The practical and potentially flexible application of policy needs to be set out and operated.

3.5.10 **Scheme specifics will inevitably determine outcomes that vary**, perhaps significantly, but this usual occurrence need not prejudice policy targets. There will be schemes where abnormal costs are justified and/or collective costs impacts are too great for all requirements to be delivered together.

3.6 Related commentary, advice and notes

3.6.1 If it is to pursue an approach to include smaller sites (of 8 dwellings), the Council will need to consider the drivers behind such an approach, wider evidence for it and therefore the likely benefits from it – i.e. looking at local characteristics, needs and site supply patterns for example.

3.6.2 As a part of considering the detail for clarity and practical application, the Council will also need to consider whether the policy principles would apply to all new dwellings or whether there should be exceptions. As with all policy positions, there should be clarity as to whether it applies to all, or to net new dwelling numbers (i.e. after allowing for any existing dwellings on a site or within a conversion). In our recent experience, the Planning Inspectorate has usually looked to a net application of policy particularly on the smallest sites. This is because, in comparison, a gross approach can produce a very different viability outcome. Whilst larger schemes tend to be less affected by this sensitivity, small schemes can see greatly varying implications and impacts, depending on the detail.

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

3.6.4 The residual land value (RLV) figures stated are indicative, based on the notional schemes, development value and range of other assumptions Adams Integra has applied and explained both here and in the 2005 study.

3.6.5 The importance of considering existing and/or alternative use values, amongst the wide range of variables discussed, has been acknowledged in the study. This, again, is a highly site-specific factor in practice. Commercial values are very sensitive to location and it is not normally possible in this type of overview exercise to provide specific viability advice as to whether certain value levels will be outweighed by those produced by particular residential development proposals. Site specifics will need to be considered, in light of the clear target and practical, negotiated approach advocated in this report.

3.6.6 It is worth noting again that the commercial property market has experienced an even more dramatic downturn than residential, with demand in general for commercial premises continuing to dip and values having fallen very significantly (and still falling). This means that, over time, the nature of comparisons made between residential development values and some alternative use values will most likely vary. It reinforces the scheme specific nature of such considerations.

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

3.6.8 The study and specific appraisal results are necessarily based on gathering information and making assumptions at a particular point in the study process. However, the application of Adams Integra's Value Points methodology allows these to be considered in light of varying value levels as the market moves – the most important single driver of the appraisals.

3.6.9 We encourage the Council to do their own monitoring of the local market through data such as we have collected and keeping an eye on the pricing of developments locally, etc. This would assist with maintaining a feel for development viability from the base point this study provides. Information gathered and reviewed could be similar to that we have considered, but this does not have to be the case specifically. Our point here is that through tracking local prices, new build and RSL activity, etc, the Council will be better placed to judge site specifics and consider the context of its delivery experiences together with any need for review and contingency measures against the policies selected.

3.6.10 It will also be important for the Council to detail contingency plans in the event of failure to meet affordable housing targets (e.g. potentially through short-term further weakening of development activity).

3.6.11 Given that assumptions need to be made on areas such as planning obligations costs, movements in such factors should be borne in mind and the study revisited or updated should those materially alter so as to affect the relationship between values and costs. In the same way, the growing areas of sustainable construction and design should be monitored – regarding how they might develop and affect development costs accordingly (and perhaps even values, in the longer-term).

End of update report text
Appendices follow
May 2010

Appendices

Appendix I -	**Development Scenarios**
Appendix II -	**RLV results – Base appraisals – all on-site affordable housing scenarios – sliding scale approach.**
Appendix IIa -	**RLV results - reviewing 20% Developer's Profit**
Appendix IIb -	**RLV results – increasing CfSH**
Appendix IIc -	**RLV results – increasing CfSH with 20% developer's profit.**
Appendix IId -	**RLV results – increasing CfSH with grant.**
Appendix III -	**Property Values Report Update**

Appendix I

Appendix I - Development Scenarios and Key Assumptions Required for Portsmouth City Council Affordable Housing Economic Viability Study Update 2010 - On-Site Affordable Housing

Scheme Type Appraised	Indicative Site Size (Ha)	Indicative Density (DPH)	Dwelling Mix (BF = Bed Flat; BH = Bed House	Private Mix	Affordable Mix (70% GN Rent / 30% Intermediate)	Equivalent Proportion	Survey Costs (per site)	Build Period (Months)	Site Prep.
5 Units	0.05	100	5 x 2BF	4 x 2BF	1 x 2BF GN	20%	£2,500	6	£20,000
5 Units	0.10	50	5 x 3BH	4 x 3BH	1 x 3BH GN	20%	£2,500	6	£20,000
8 Units	0.15	55	2 x 2BF; 3 x 2BH; 3 x 3BH	2 x 2BF; 2 x 2BH; 2 x 3BH	1 x 3BH GN; 1 x 2BH Int	25%	£4,000	9	£32,000
10 Units	0.18	55	2 x 2BF; 4 x 2BH; 4 x 3BH	2 x 2BF; 3 x 2BH; 3 x 4BH	1 x 3BH GN; 1 x 2BH Int	20%	£5,000	9	£40,000
11 Units	0.16	70	1 x 1BF; 2 x 2BF; 4 x 2BH; 4 x 3BH	1 x 1BF; 1 x 2BF; 3 x 2BH; 3 x 3BH	1 x 2BH, 1 x 3BH GN; 1 x 2BF Int	27%	£5,500	9	£44,000
14 Units	0.20	70	1 x 1BF; 5 x 2BF; 2 x 2BH; 6 x 3BH	1 x 1BF; 3 x 2BF; 1 x 2BH; 5 x 3BH	1 x 2BF, 1 x 2BH, 1 x 3BH GN; 1 x 2BF Int	29%	£7,000	9	£56,000
15 Units	0.21	70	2 x 1BF; 5 x 2BF; 2 x 2BH; 6 x 3BH	2 x 1BF; 3 x 2BF; 1 x 2BH; 5 x 3BH	1 x 2BF, 1 x 2BH, 1 x 3BH GN; 1 x 2BF Int	26%	£7,500	9	£60,000
15 Units	0.21	70	1 x 1BF; 5 x 2BF; 2 x 2BH; 6 x 3BH	1 x 1BF; 3 x 2BF; 1 x 2BH; 4 x 3BH	1 x 2BF, 1 x 2BH, 2 x 3BH GN; 1 x 2BF Int	33%	£7,500	9	£60,000
20 Units	0.29	70	2 x 1BF; 7 x 2BF; 3 x 2BH; 8 x 3BH	2 x 1BF; 5 x 2BF; 1 x 2BH; 6 x 3BH	2 x 2BH, 2 x 3BH GN; 2 x 2BF Int	30%	£10,000	12	£80,000
50 Units	0.71	70	6 x 1BF; 17 x 2BF; 7 x 2BH; 20 x 3BH	4 x 1BF; 13 x 2BF; 4 x 2BH; 14 x 3BH	2 x 2BF, 3 x 2BH, 6 x 3BH GN; 2 x 1BF, 2 x 2BF Int	30%	£25,000	18	£200,000

	Values Range					
Value Point	**1-Bed Flats**	**2-Bed Flats**	**2-Bed Houses**	**3-Bed Houses**	**4-Bed Houses**	**£ / sq m guide**
1	£100,000	£134,000	£150,000	£170,000	£200,000	£2,000
2	£125,000	£167,500	£187,500	£212,500	£250,000	£2,500
3	£150,000	£201,000	£225,000	£255,000	£300,000	£3,000
4	£175,000	£234,500	£262,500	£297,500	£350,000	£3,500
5	£200,000	£268,000	£300,000	£340,000	£400,000	£4,000
6	£275,000	£368,500	£412,500	£467,500	£550,000	£5,500

* New value points

Sizes (sq m) - Gross Internal Area (GIA)				
1-Bed Flats	**2-Bed Flats**	**2-Bed Houses**	**3-Bed Houses**	**4-Bed Houses**
50	67	75	85	100

Other Assumptions:	Developments are 2 - 3 storey unless stated.
Infrastructure Costs per unit:	Carry out appraisals using PCC Planning Obligations Calculator. Where applicable use "worst case" scenario (from developer point of view) - See Planning Obligations Sheet
Finance (%)	7.0%
Base Build Costs (Flats)	£1,250 per sq m
Base Build Costs (Houses)	£1,100 per sq m
Build Period Lead In	6 months
Developer Profit:	17.5% of Gross Development Value - Sample of appraisals at 20% developer's profit on sample of appraisals. Profit on affordable - 6%
Grant Subsidy:	Carry out appraisals without grant and sample with grant. Grant level potentially £15,000 per person for affordable rent; nil for intermediate.
Affordable Unit Mix:	As per table above. Transferred on a proportional basis (i.e. following market homes mix).
Developer Receipt for Affordable Units (on-site provision):	Currently based on negotiation through developers and RSLs assuming grant at sub-regional allocations level.
Code for Sustainable Homes	Assume all units comply - Level 3 of CfSH. Costs are approximately £50 per m2 for flats and houses based on Cyrill Sweet Cost Analysis of the Code for Sustainable Homes July 2008 (assumes medium case scenariofor flats and terraced houses). Sample to be carried out assuming higher Code for Sustainable Homes Levels 4, 5 and 6 on sites of 20 & 50 units (£100/m², £200/m² and £350/m² respectively added to above build costs).
Lifetime Homes	Allowance to achieve Lifetime Homes Standards included within above build costs and acknowledged within report as potential variable cost issue (depending on design etc). Approx.between £165 and £545 per unit. Source : Habinteg HA (see report text)
Renewables	Assumed that cost of achieving renewables policy position is achived through achiving Code for Sustainable Homes objectives (as agreed with PCC).
Indicative Scheme Density:	Densities as set out above.

BF = Bed Flat; BH = Bed House
GNR = General Needs Rent; IT = Intermediate (affordable) Tenure

No of Units	Unit Mix	Total Planning Obligations Requirement	Average per Unit
5	5 x 2BF	£32,230	£6,446
5	5 x 3BH	£92,136	£18,427
8	2 x 2BF; 3 x 2BH; 3 x 3BH	£82,057	£10,257
10	2 x 2BF; 4 x 2BH; 4 x 3BH	£112,385	£11,238
11	1 x 1BF; 2 x 2BF; 4 x 2BH; 4 x 3BH	£118,010	£10,728
14	1 x 1BF; 5 x 2BF; 2 x 2BH; 6 x 3BH	£161,764	£11,555
15	2 x 1BF; 5 x 2BF; 2 x 2BH; 6 x 3BH	£163,939	£10,929
20	2 x 1BF; 7 x 2BF; 3 x 2BH; 8 x 3BH	£220,131	£11,007
50	6 x 1BF; 17 x 2BF; 7 x 2BH; 20 x 3BH	£548,010	£10,960

Source: PCC Planning Obligations SPD: Planning Obligations Calculator (revised April 2009)

NB: Worst Case Scenario. Assumes development in City Centre, primary and secondary education contributions required and low accessibility zone and Open space requiremetns paid via financial contribution. Figures above taken directly from calcuator for that scale of development

Appendix II

Table 1: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	£0	£0	1	20%
	2	£79,474	£1,512		
	3	£197,986	£102,667		
	4	£310,883	£201,628		
	5	£427,780	£294,711		
	6	£770,444	£583,125		
5 Unit Housing Scheme	1	£0	£0	1	20%
	2	£129,979	£27,876		
	3	£274,381	£155,167		
	4	£422,683	£275,173		
	5	£565,098	£399,029		
	6	£1,005,417	£760,787		
8 Unit Mixed Scheme	1	£0	£0	2	25%
	2	£206,221	£60,088		
	3	£416,307	£245,450		
	4	£624,059	£424,361		
	5	£836,103	£601,021		
	6	£1,472,234	£1,138,367		
10 Unit Mixed Scheme	1	£0	£0	2	20%
	2	£252,746	£112,347		
	3	£517,440	£347,014		
	4	£784,739	£580,666		
	5	£1,052,038	£816,957		
	6	£1,853,937	£1,520,070		
11 Unit Mixed Scheme	1	£0	£0	3	27%
	2	£262,234	£36,755		
	3	£544,097	£271,080		
	4	£828,664	£502,055		
	5	£1,113,231	£734,787		
	6	£1,966,931	£1,430,407		
14 Unit Mixed Scheme	1	£0	£0	4	29%
	2	£297,992	£0		
	3	£655,809	£289,556		
	4	£1,016,697	£577,928		
	5	£1,377,586	£867,445		
	6	£2,460,252	£1,736,408		
15 Unit Mixed Scheme	1	£0	£0	4	26%
	2	£310,520	£8,573		
	3	£685,475	£319,531		
	4	£1,063,631	£624,862		
	5	£1,441,787	£931,646		
	6	£2,576,255	£1,852,411		
15 Unit Mixed Scheme	1	£0	£0	5	33%
	2	£310,520	£0		
	3	£685,475	£199,696		
	4	£1,063,631	£483,861		
	5	£1,441,787	£761,464		
	6	£2,576,255	£1,607,781		
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£395,829	£0		
	3	£890,948	£353,637		
	4	£1,390,147	£749,560		
	5	£1,889,347	£1,147,094		
	6	£3,386,946	£2,334,646		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£844,231	£0		
	3	£2,036,182	£712,984		
	4	£3,228,132	£1,657,204		
	5	£4,420,083	£2,594,669		
	6	£7,995,934	£5,398,525		

Source: Adams Integra, February 2010

Graph 1: Summary of Residual Land Values at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing Across All Value Points 70% General Needs Rent/30% Intermediate Tenure Mix

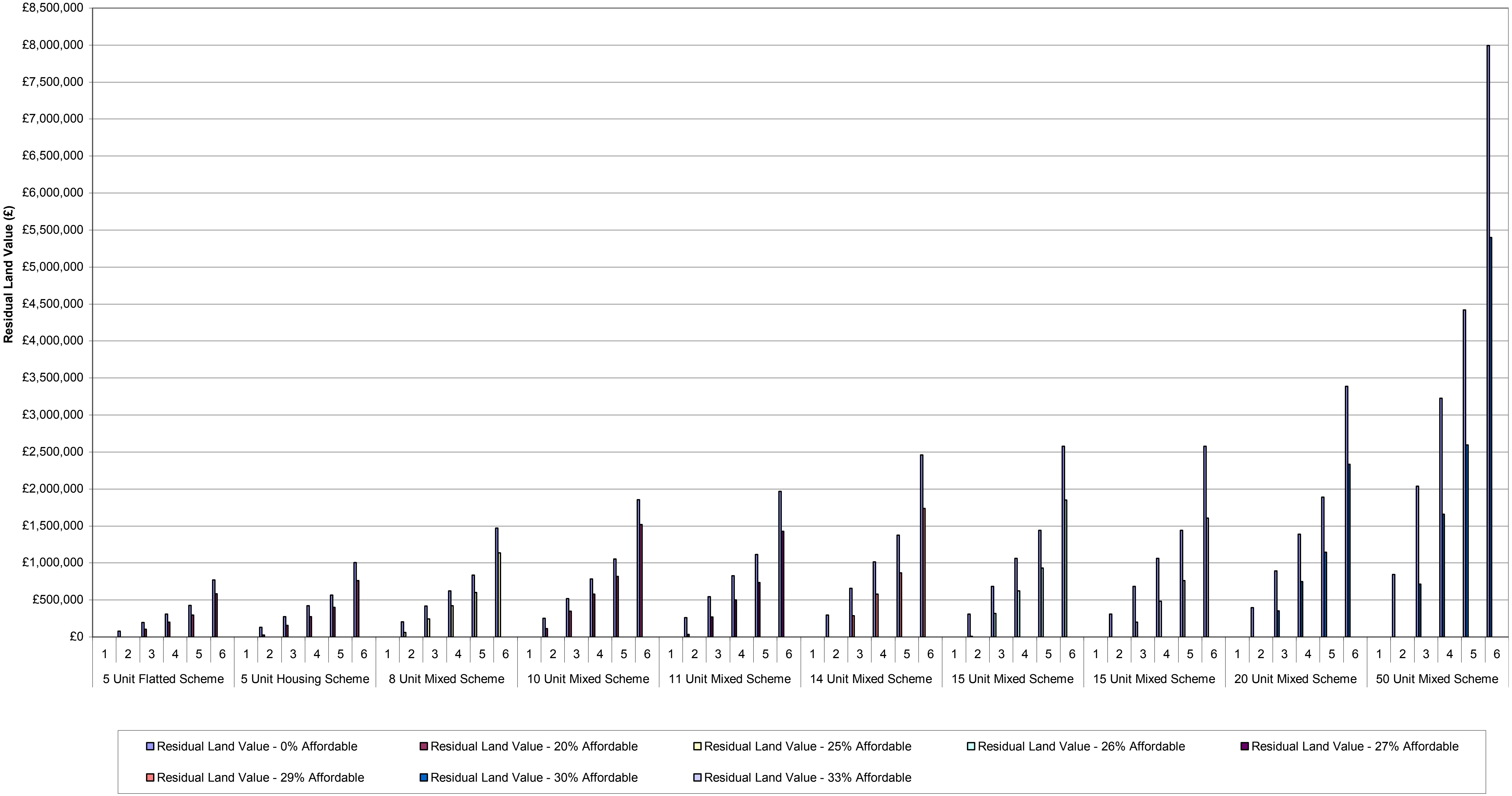


Table 1a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	0.0%	0.0%	1	20%
	2	9.5%	0.2%		
	3	19.7%	11.9%		
	4	26.5%	20.1%		
	5	31.9%	25.9%		
	6	41.8%	37.4%		
5 Unit Housing Scheme	1	0.0%	0.0%	1	20%
	2	12.2%	3.1%		
	3	21.5%	14.3%		
	4	28.4%	21.7%		
	5	33.2%	27.7%		
	6	43.0%	38.6%		
8 Unit Mixed Scheme	1	0.0%	0.0%	2	25%
	2	13.4%	4.6%		
	3	22.6%	15.7%		
	4	29.0%	23.3%		
	5	34.0%	28.9%		
	6	43.6%	40.0%		
10 Unit Mixed Scheme	1	0.0%	0.0%	2	20%
	2	13.1%	6.6%		
	3	22.3%	17.0%		
	4	29.0%	24.4%		
	5	34.0%	30.1%		
	6	43.6%	40.8%		
11 Unit Mixed Scheme	1	0.0%	0.0%	3	27%
	2	12.7%	2.2%		
	3	22.0%	13.3%		
	4	28.7%	21.2%		
	5	33.8%	27.2%		
	6	43.4%	38.7%		
14 Unit Mixed Scheme	1	0.0%	0.0%	4	29%
	2	11.4%	0.0%		
	3	20.9%	11.3%		
	4	27.8%	19.4%		
	5	33.0%	25.6%		
	6	42.8%	37.5%		
15 Unit Mixed Scheme	1	0.0%	0.0%	4	26%
	2	11.3%	0.4%		
	3	20.9%	11.8%		
	4	27.8%	19.9%		
	5	32.9%	26.0%		
	6	42.8%	37.8%		
15 Unit Mixed Scheme	1	0.0%	0.0%	5	33%
	2	11.3%	0.0%		
	3	20.9%	7.9%		
	4	27.8%	16.5%		
	5	32.9%	22.9%		
	6	42.8%	35.5%		
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	10.7%	0.0%		
	3	20.1%	10.0%		
	4	26.9%	18.1%		
	5	32.0%	24.4%		
	6	41.8%	36.3%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	9.2%	0.0%		
	3	18.5%	8.1%		
	4	25.2%	16.2%		
	5	30.2%	22.3%		
	6	39.7%	34.0%		

Source: Adams Integra, February 2010

Graph 1a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix

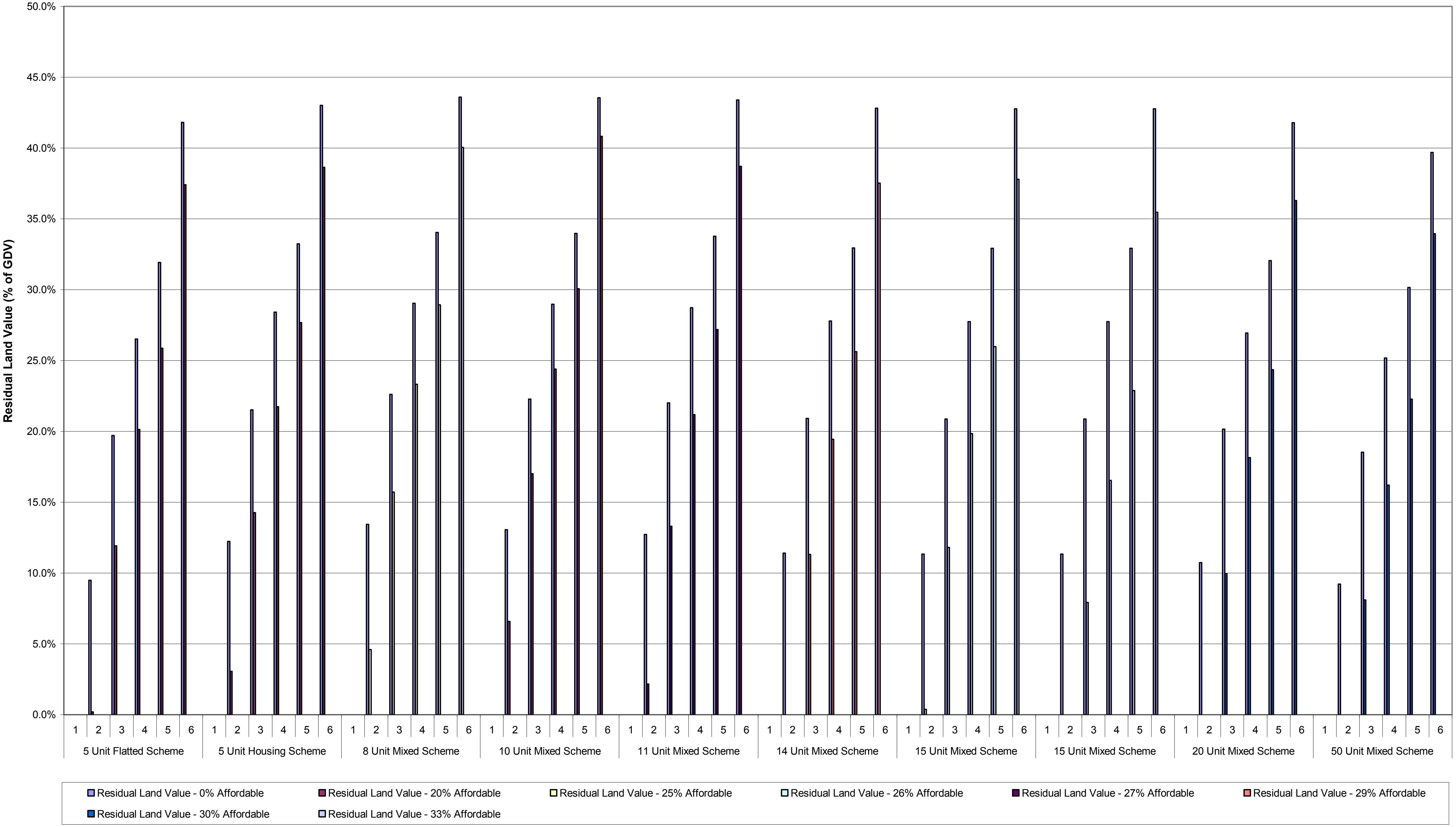
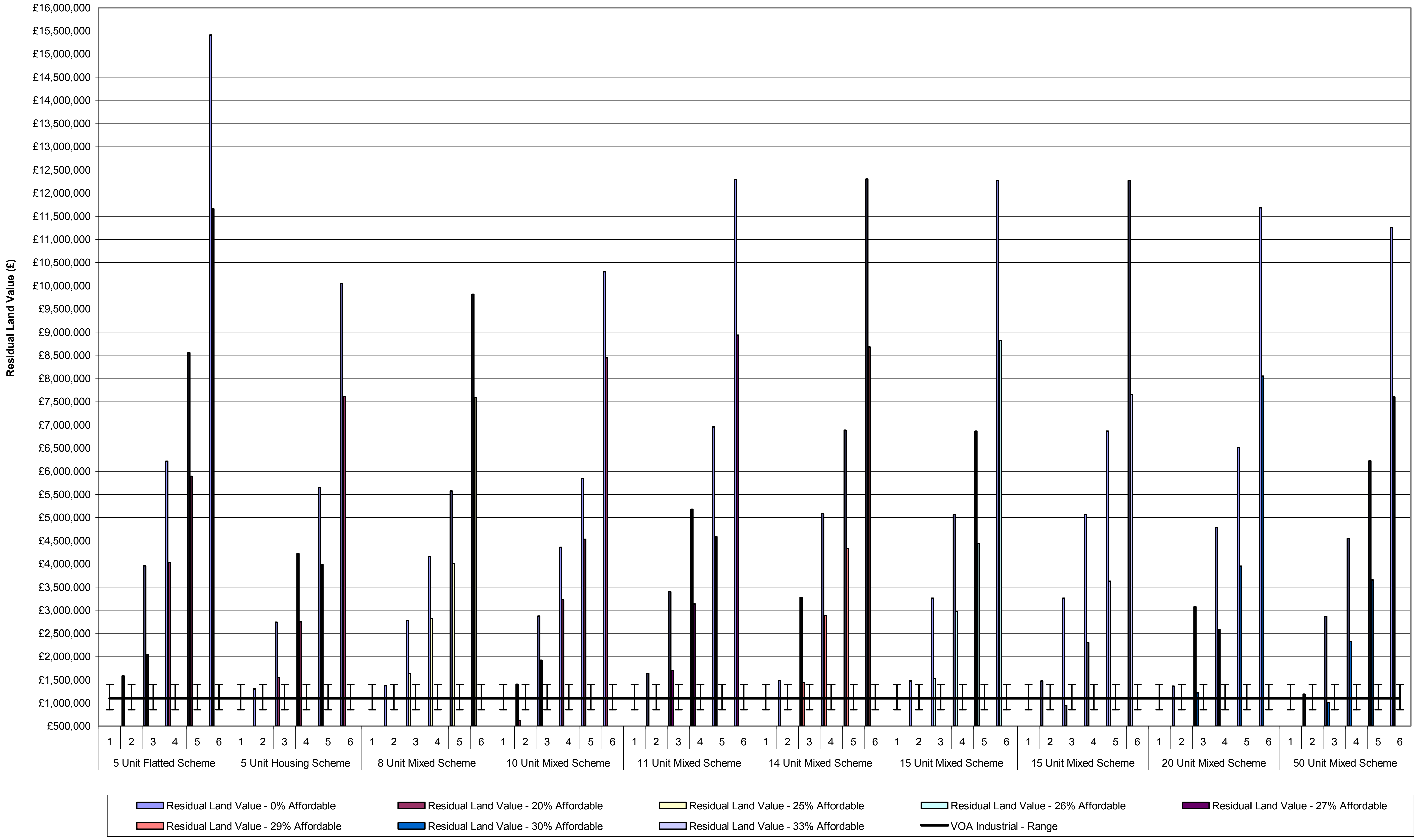


Table 1b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	0.05	£0	£0	1	20%
	2	0.05	£1,589,477	£30,237		
	3	0.05	£3,959,721	£2,053,334		
	4	0.05	£6,217,660	£4,032,561		
	5	0.05	£8,555,594	£5,894,226		
	6	0.05	£15,408,887	£11,662,491		
5 Unit Housing Scheme	1	0.10	£0	£0	1	20%
	2	0.10	£1,299,786	£278,757		
	3	0.10	£2,743,810	£1,551,670		
	4	0.10	£4,226,828	£2,751,733		
	5	0.10	£5,650,981	£3,990,294		
	6	0.10	£10,054,168	£7,607,866		
8 Unit Mixed Scheme	1	0.15	£0	£0	2	25%
	2	0.15	£1,374,804	£400,588		
	3	0.15	£2,775,380	£1,636,332		
	4	0.15	£4,160,392	£2,829,072		
	5	0.15	£5,574,017	£4,006,805		
	6	0.15	£9,814,890	£7,589,111		
10 Unit Mixed Scheme	1	0.18	£0	£0	2	20%
	2	0.18	£1,404,145	£624,153		
	3	0.18	£2,874,665	£1,927,855		
	4	0.18	£4,359,662	£3,225,924		
	5	0.18	£5,844,658	£4,538,648		
	6	0.18	£10,299,647	£8,444,832		
11 Unit Mixed Scheme	1	0.16	£0	£0	3	27%
	2	0.16	£1,638,962	£229,719		
	3	0.16	£3,400,608	£1,694,251		
	4	0.16	£5,179,150	£3,137,841		
	5	0.16	£6,957,693	£4,592,416		
	6	0.16	£12,293,319	£8,940,042		
14 Unit Mixed Scheme	1	0.20	£0	£0	4	29%
	2	0.20	£1,489,961	£0		
	3	0.20	£3,279,044	£1,447,778		
	4	0.20	£5,083,487	£2,889,640		
	5	0.20	£6,887,931	£4,337,227		
	6	0.20	£12,301,261	£8,682,040		
15 Unit Mixed Scheme	1	0.21	£0	£0	4	26%
	2	0.21	£1,478,668	£40,822		
	3	0.21	£3,264,167	£1,521,576		
	4	0.21	£5,064,910	£2,975,532		
	5	0.21	£6,865,653	£4,436,411		
	6	0.21	£12,267,882	£8,821,005		
15 Unit Mixed Scheme	1	0.21	£0	£0	5	33%
	2	0.21	£1,478,668	£0		
	3	0.21	£3,264,167	£950,934		
	4	0.21	£5,064,910	£2,304,101		
	5	0.21	£6,865,653	£3,626,018		
	6	0.21	£12,267,882	£7,656,100		
20 Unit Mixed Scheme	1	0.29	£0	£0	6	30%
	2	0.29	£1,364,927	£0		
	3	0.29	£3,072,234	£1,219,437		
	4	0.29	£4,793,612	£2,584,689		
	5	0.29	£6,514,990	£3,955,498		
	6	0.29	£11,679,123	£8,050,505		
50 Unit Mixed Scheme	1	0.71	£0	£0	15	30%
	2	0.71	£1,189,058	£0		
	3	0.71	£2,867,862	£1,004,202		
	4	0.71	£4,546,665	£2,334,090		
	5	0.71	£6,225,469	£3,654,464		
	6	0.71	£11,261,879	£7,603,556		

Source: Adams Integra, February 2010

Graph 1b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing Across All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix



Appendix IIa

Table 2: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	£0	£0	1	20%
	2	£60,525	£0		
	3	£175,475	£84,476		
	4	£285,151	£180,618		
	5	£398,372	£271,185		
	6	£730,425	£551,109		
5 Unit Housing Scheme	1	£0	£0	1	20%
	2	£105,940	£8,644		
	3	£246,400	£132,089		
	4	£390,038	£249,057		
	5	£528,174	£369,182		
	6	£954,646	£720,170		
8 Unit Mixed Scheme	1	£0	£0	2	25%
	2	£173,574	£34,409		
	3	£375,882	£214,943		
	4	£577,383	£389,488		
	5	£782,758	£561,577		
	6	£1,398,885	£1,084,132		
10 Unit Mixed Scheme	1	£0	£0	2	20%
	2	£214,616	£77,618		
	3	£471,871	£306,589		
	4	£725,900	£533,990		
	5	£984,793	£763,612		
	6	£1,761,474	£1,446,721		
11 Unit Mixed Scheme	1	£0	£0	3	27%
	2	£221,499	£2,987		
	3	£490,405	£236,553		
	4	£766,024	£461,428		
	5	£1,041,642	£682,919		
	6	£1,868,496	£1,359,089		
14 Unit Mixed Scheme	1	£0	£0	4	29%
	2	£245,620	£0		
	3	£587,717	£245,061		
	4	£937,257	£520,837		
	5	£1,286,797	£802,198		
	6	£2,335,416	£1,646,693		
15 Unit Mixed Scheme	1	£0	£0	4	26%
	2	£250,442	£0		
	3	£614,125	£266,794		
	4	£980,389	£563,970		
	5	£1,346,654	£862,055		
	6	£2,445,447	£1,756,724		
15 Unit Mixed Scheme	1	£0	£0	5	33%
	2	£250,442	£0		
	3	£614,125	£153,115		
	4	£980,389	£428,864		
	5	£1,346,654	£699,258		
	6	£2,445,447	£1,522,248		
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£316,521	£0		
	3	£796,759	£287,780		
	4	£1,280,261	£673,519		
	5	£1,763,762	£1,060,190		
	6	£3,214,267	£2,215,153		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£656,818	£0		
	3	£1,811,285	£555,789		
	4	£2,965,753	£1,473,811		
	5	£4,120,221	£2,385,077		
	6	£7,583,624	£5,110,335		

Source: Adams Integra, February 2010

Graph 2: Summary of Residual Land Values at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
20% Developer's Profit

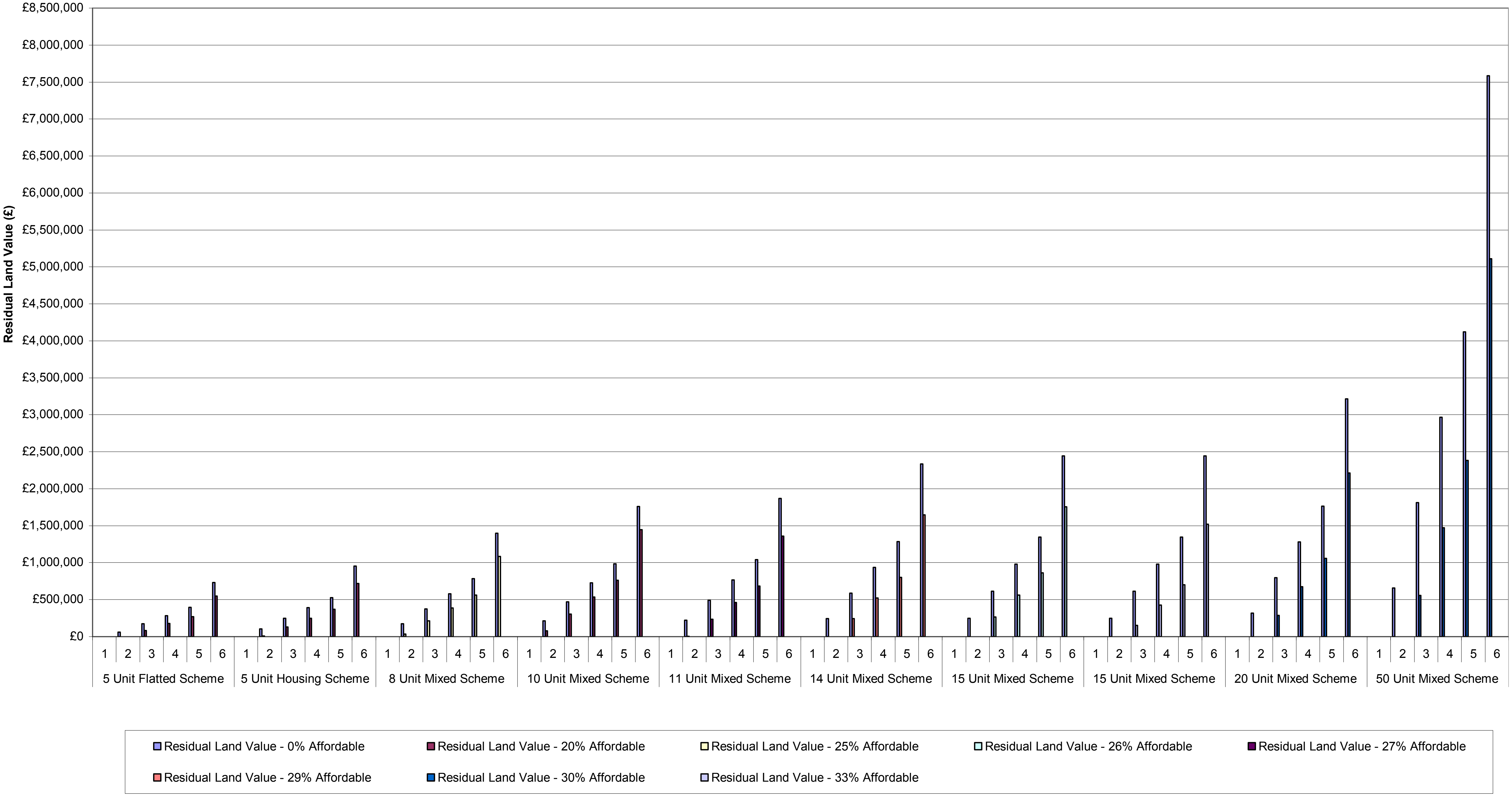


Table 2a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
20% Developers Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	0.0%	0.0%	1	20%
	2	7.2%	0.0%		
	3	17.5%	9.8%		
	4	24.3%	18.0%		
	5	29.7%	23.8%		
	6	39.6%	35.4%		
5 Unit Housing Scheme	1	0.0%	0.0%	1	20%
	2	10.0%	0.9%		
	3	19.3%	12.1%		
	4	26.2%	19.7%		
	5	31.1%	25.6%		
	6	40.8%	36.6%		
8 Unit Mixed Scheme	1	0.0%	0.0%	2	25%
	2	11.3%	2.6%		
	3	20.4%	13.8%		
	4	26.9%	21.4%		
	5	31.9%	27.0%		
	6	41.4%	38.1%		
10 Unit Mixed Scheme	1	0.0%	0.0%	2	20%
	2	11.1%	4.6%		
	3	20.3%	15.0%		
	4	26.8%	22.4%		
	5	31.8%	28.1%		
	6	41.4%	38.9%		
11 Unit Mixed Scheme	1	0.0%	0.0%	3	27%
	2	10.8%	0.2%		
	3	19.8%	11.6%		
	4	26.6%	19.5%		
	5	31.6%	25.3%		
	6	41.2%	36.8%		
14 Unit Mixed Scheme	1	0.0%	0.0%	4	29%
	2	9.4%	0.0%		
	3	18.7%	9.6%		
	4	25.6%	17.5%		
	5	30.8%	23.7%		
	6	40.6%	35.6%		
15 Unit Mixed Scheme	1	0.0%	0.0%	4	26%
	2	9.1%	0.0%		
	3	18.7%	9.9%		
	4	25.6%	17.9%		
	5	30.7%	24.0%		
	6	40.6%	35.8%		
15 Unit Mixed Scheme	1	0.0%	0.0%	5	33%
	2	9.1%	0.0%		
	3	18.7%	6.1%		
	4	25.6%	14.7%		
	5	30.7%	21.0%		
	6	40.6%	33.6%		
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	8.6%	0.0%		
	3	18.0%	8.1%		
	4	24.8%	16.3%		
	5	29.9%	22.5%		
	6	39.6%	34.4%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	7.2%	0.0%		
	3	16.5%	6.3%		
	4	23.1%	14.4%		
	5	28.1%	20.5%		
	6	37.6%	32.1%		

Source: Adams Integra, February 2010

Graph 2a: Summary of Residual Land Values (as % of GDV) at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
20% Developer's Profit

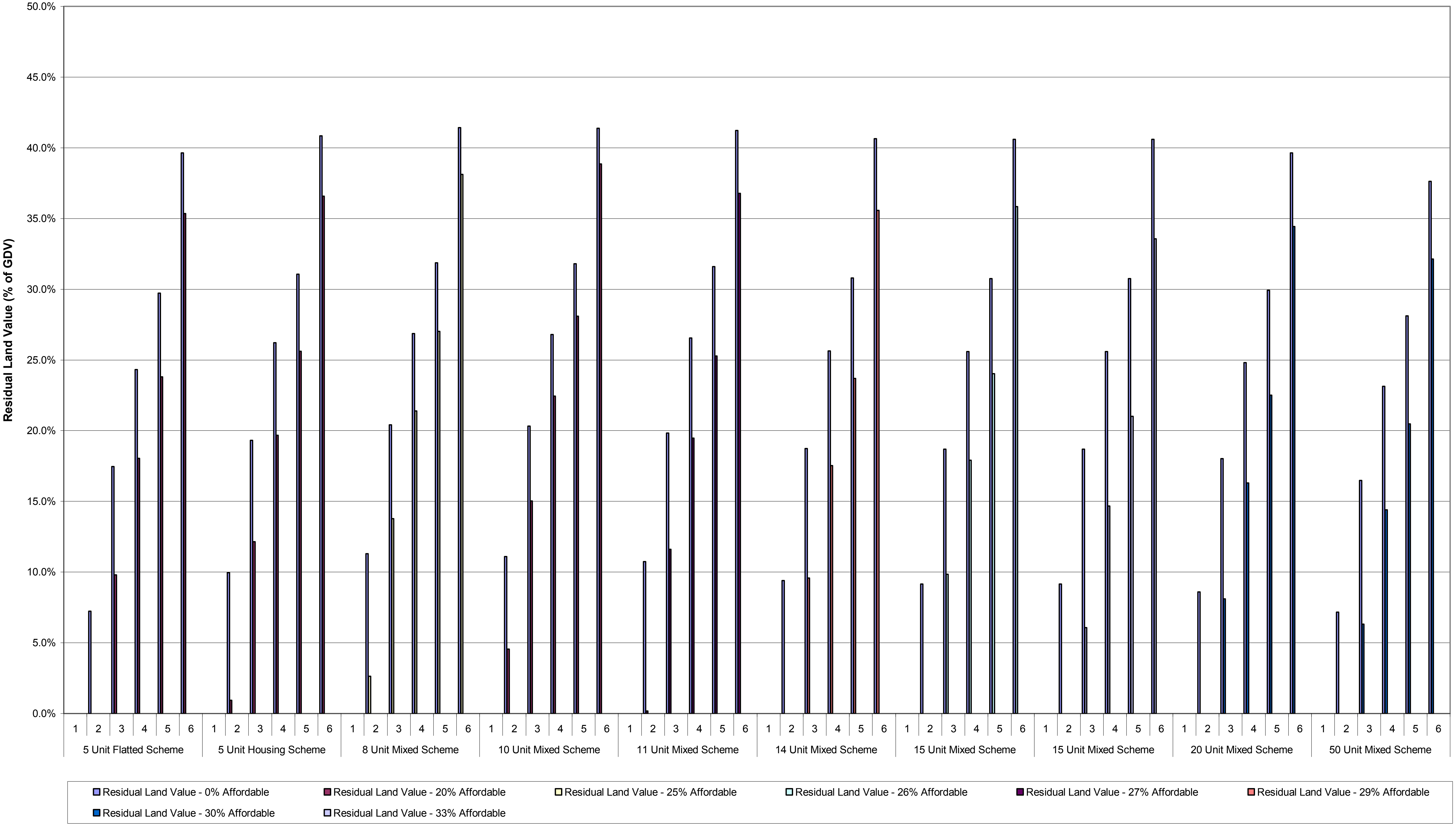
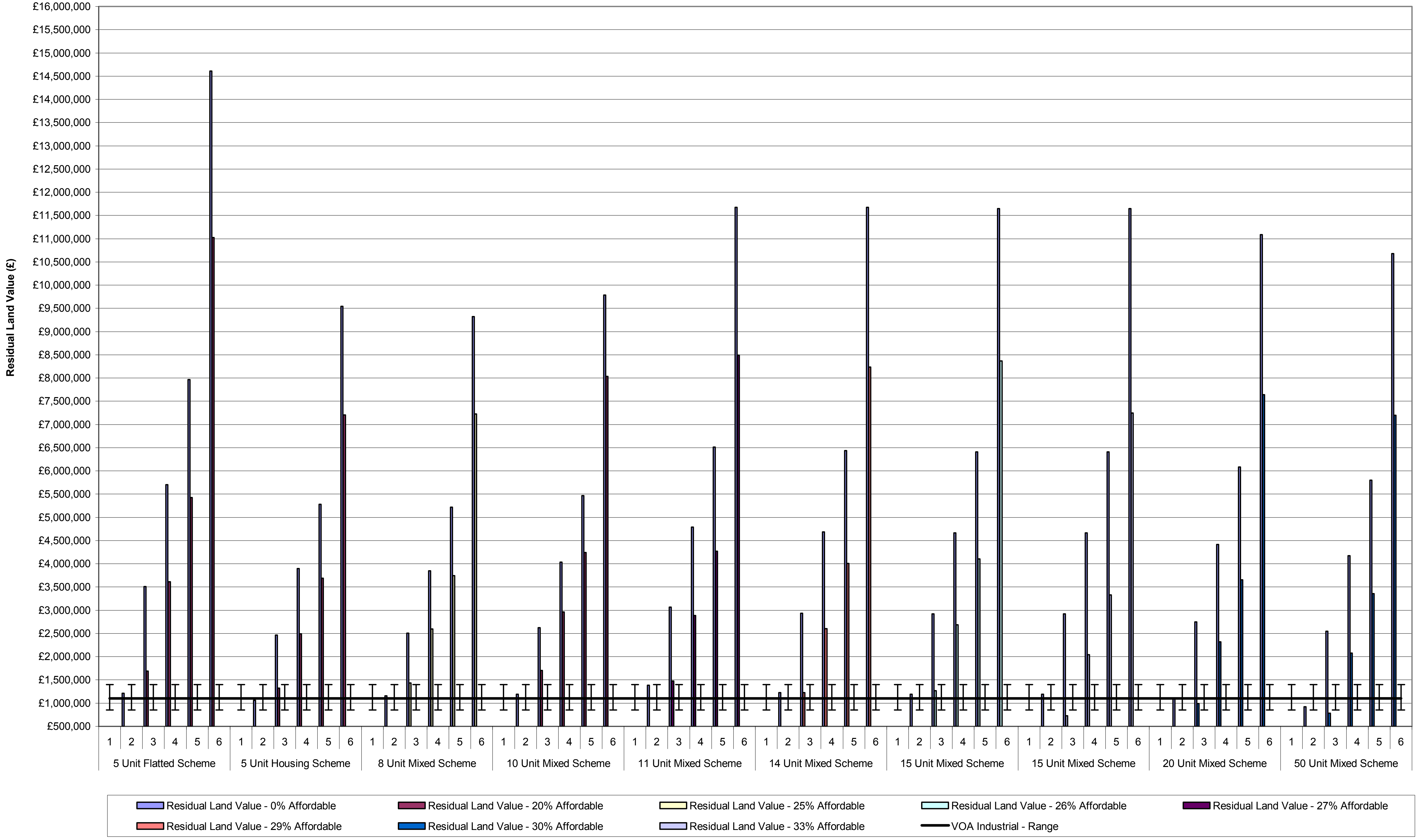


Table 2b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
20% Developer's Profit

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
5 Unit Flatted Scheme	1	0.05	£0	£0	1	20%
	2	0.05	£1,210,508	£0		
	3	0.05	£3,509,506	£1,689,524		
	4	0.05	£5,703,021	£3,612,361		
	5	0.05	£7,967,435	£5,423,699		
	6	0.05	£14,608,505	£11,022,186		
5 Unit Housing Scheme	1	0.10	£0	£0	1	20%
	2	0.10	£1,059,395	£86,445		
	3	0.10	£2,463,995	£1,320,895		
	4	0.10	£3,900,377	£2,490,572		
	5	0.10	£5,281,741	£3,691,825		
	6	0.10	£9,546,463	£7,201,702		
8 Unit Mixed Scheme	1	0.15	£0	£0	2	25%
	2	0.15	£1,157,162	£229,392		
	3	0.15	£2,505,880	£1,432,951		
	4	0.15	£3,849,217	£2,596,588		
	5	0.15	£5,218,388	£3,743,848		
	6	0.15	£9,325,901	£7,227,546		
10 Unit Mixed Scheme	1	0.18	£0	£0	2	20%
	2	0.18	£1,192,310	£431,212		
	3	0.18	£2,621,503	£1,703,272		
	4	0.18	£4,032,776	£2,966,611		
	5	0.18	£5,471,074	£4,242,291		
	6	0.18	£9,785,969	£8,037,340		
11 Unit Mixed Scheme	1	0.16	£0	£0	3	27%
	2	0.16	£1,384,372	£18,670		
	3	0.16	£3,065,034	£1,478,458		
	4	0.16	£4,787,647	£2,883,923		
	5	0.16	£6,510,261	£4,268,245		
	6	0.16	£11,678,100	£8,494,307		
14 Unit Mixed Scheme	1	0.20	£0	£0	4	29%
	2	0.20	£1,228,098	£0		
	3	0.20	£2,938,583	£1,225,307		
	4	0.20	£4,686,283	£2,604,185		
	5	0.20	£6,433,983	£4,010,992		
	6	0.20	£11,677,082	£8,233,467		
15 Unit Mixed Scheme	1	0.21	£0	£0	4	26%
	2	0.21	£1,192,583	£0		
	3	0.21	£2,924,404	£1,270,448		
	4	0.21	£4,668,520	£2,685,570		
	5	0.21	£6,412,636	£4,105,026		
	6	0.21	£11,644,984	£8,365,351		
15 Unit Mixed Scheme	1	0.21	£0	£0	5	33%
	2	0.21	£1,192,583	£0		
	3	0.21	£2,924,404	£729,118		
	4	0.21	£4,668,520	£2,042,209		
	5	0.21	£6,412,636	£3,329,799		
	6	0.21	£11,644,984	£7,248,798		
20 Unit Mixed Scheme	1	0.29	£0	£0	6	30%
	2	0.29	£1,091,451	£0		
	3	0.29	£2,747,446	£992,344		
	4	0.29	£4,414,692	£2,322,478		
	5	0.29	£6,081,939	£3,655,829		
	6	0.29	£11,083,678	£7,638,460		
50 Unit Mixed Scheme	1	0.71	£0	£0	15	30%
	2	0.71	£925,095	£0		
	3	0.71	£2,551,106	£782,802		
	4	0.71	£4,177,117	£2,075,790		
	5	0.71	£5,803,128	£3,359,263		
	6	0.71	£10,681,161	£7,197,655		

Source: Adams Integra, February 2010

Graph 2b: Summary of Residual Land Values (£ per Ha) at 0%, 20%, 25%, 26%, 27%, 29%, 30% & 33% Affordable Housing Across All Value Points -
70% General Needs Rent/30% Intermediate Tenure Mix
20% Developer's Profit



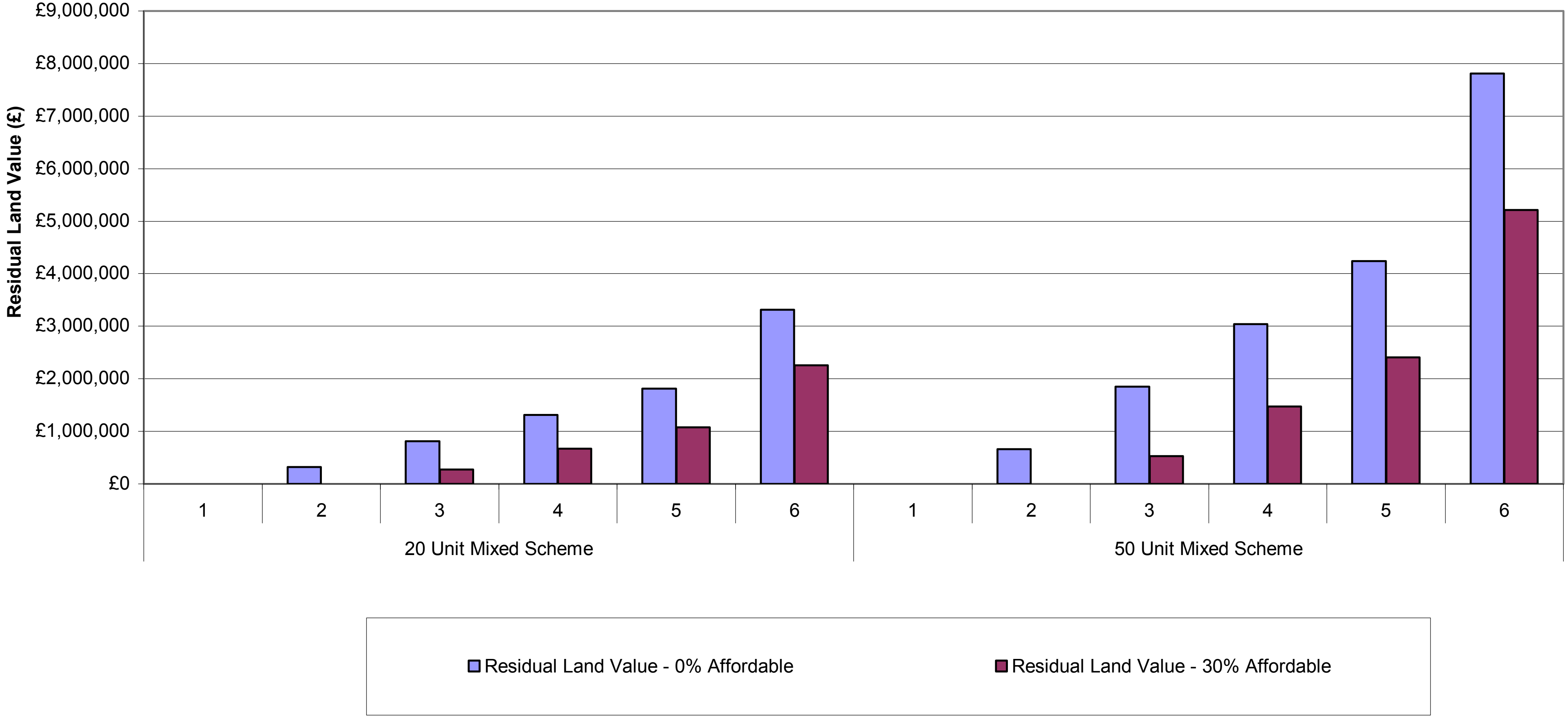
Appendix IIb

Table 3: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 4

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£319,911	£0		
	3	£815,813	£277,719		
	4	£1,315,012	£674,425		
	5	£1,814,212	£1,071,959		
	6	£3,311,811	£2,259,511		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£661,714	£0		
	3	£1,853,664	£530,466		
	4	£3,045,615	£1,474,687		
	5	£4,237,565	£2,412,152		
	6	£7,813,417	£5,216,007		

Source: Adams Integra, February 2010

Graph 3: Summary of Residual Land Values at 0% & 30% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4



Appendix IIb

Table 3a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	8.7%	0.0%		
	3	18.4%	7.8%		
	4	25.5%	16.3%		
	5	30.8%	22.8%		
	6	40.9%	35.1%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	7.2%	0.0%		
	3	16.9%	6.0%		
	4	23.7%	14.4%		
	5	28.9%	20.7%		
	6	38.8%	32.8%		

Source: Adams Integra, February 2010

Graph 3a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing Across all Value Points 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 4

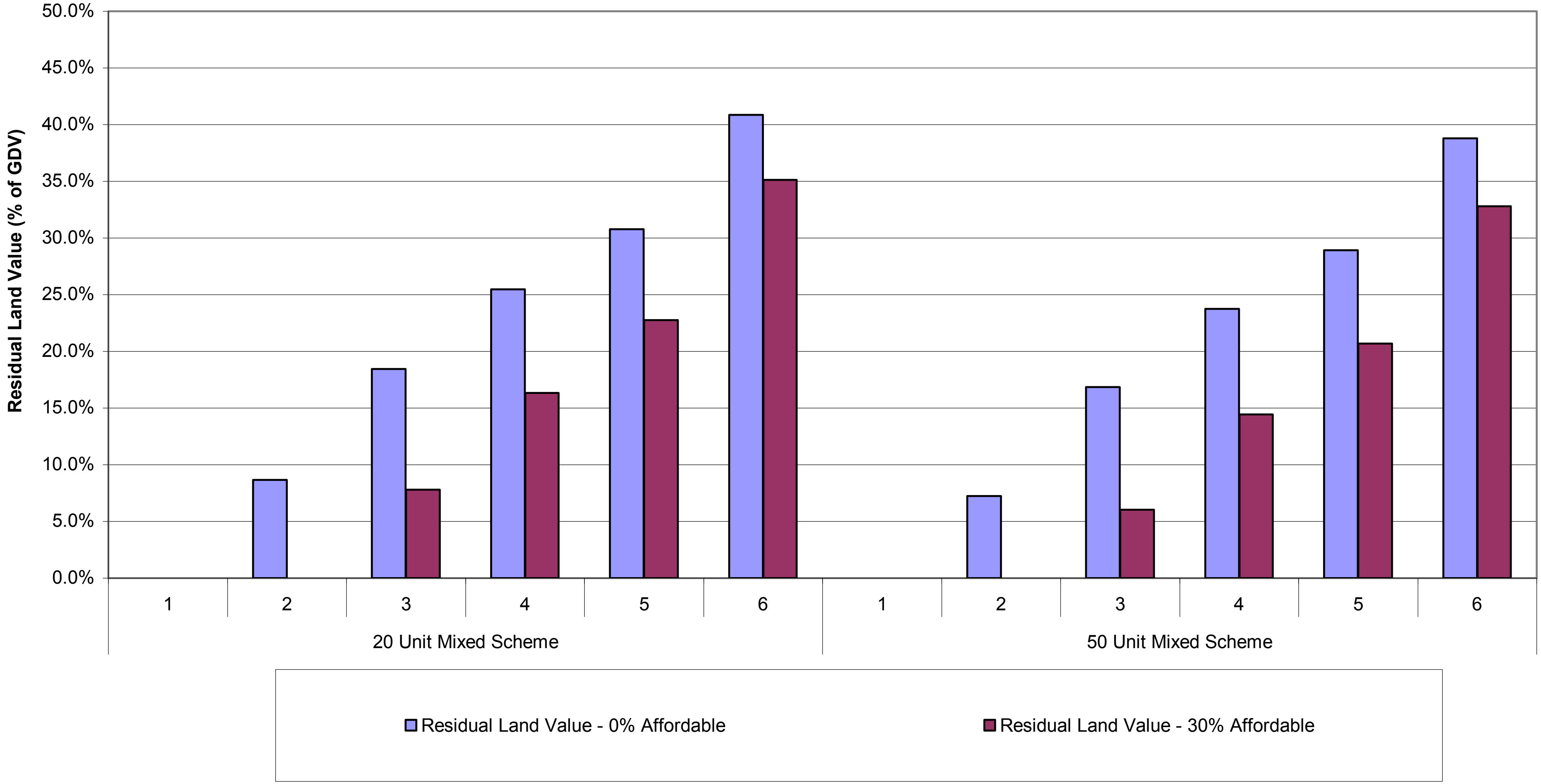


Table 3b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£2,285,080	£0		
	3	0.14	£5,827,234	£1,983,707		
	4	0.14	£9,392,945	£4,817,319		
	5	0.14	£12,958,657	£7,656,853		
	6	0.14	£23,655,791	£16,139,367		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£1,838,094	£0		
	3	0.36	£5,149,068	£1,473,517		
	4	0.36	£8,460,041	£4,096,352		
	5	0.36	£11,771,015	£6,700,422		
	6	0.36	£21,703,936	£14,488,909		

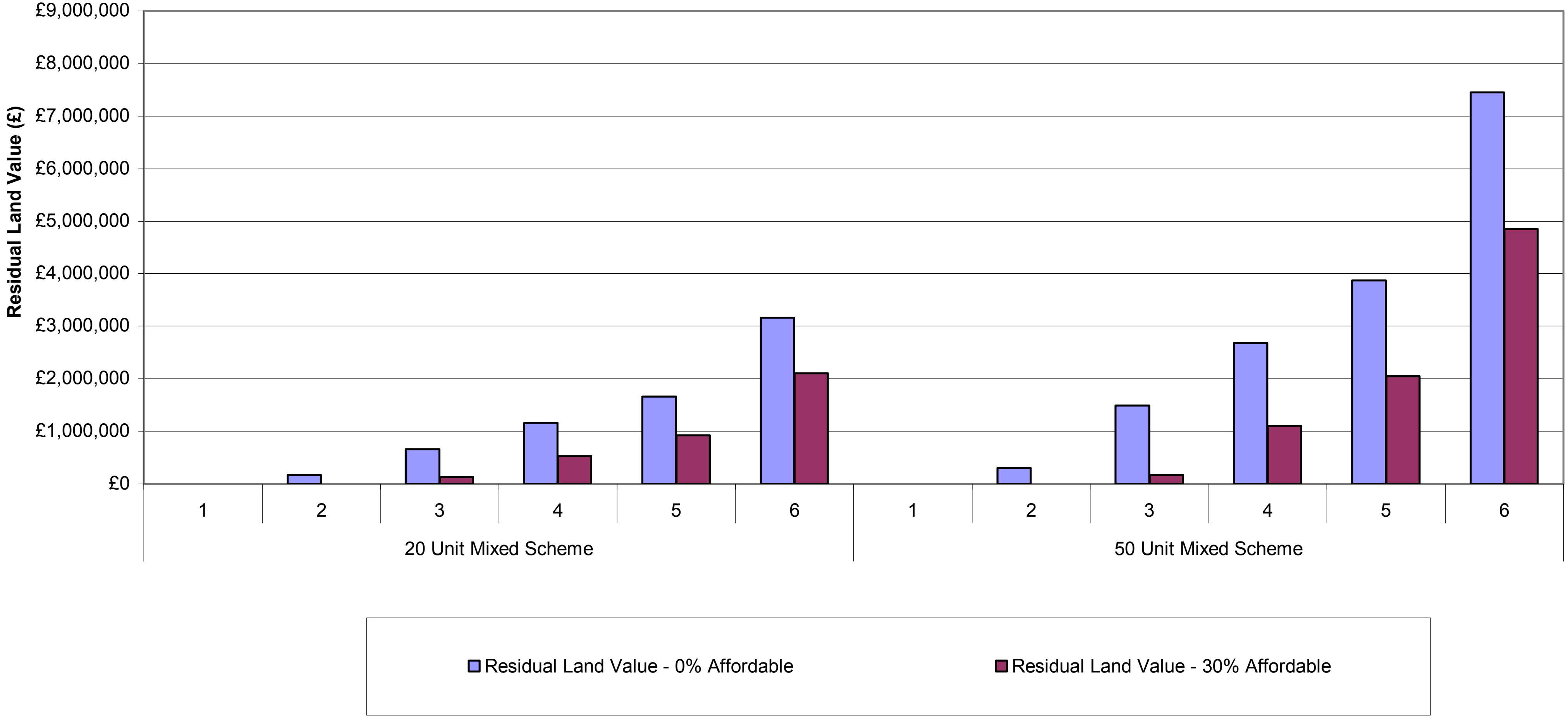
Source: Adams Integra, February 2010

Table 4: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 5

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£173,274	£0		
	3	£665,543	£129,777		
	4	£1,164,742	£524,155		
	5	£1,663,942	£921,689		
	6	£3,161,541	£2,109,241		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£299,769	£0		
	3	£1,488,629	£172,324		
	4	£2,680,580	£1,109,652		
	5	£3,872,530	£2,047,117		
	6	£7,448,382	£4,850,972		

Source: Adams Integra, February 2010

Graph 4: Summary of Residual Land Values at 0% & 30% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5



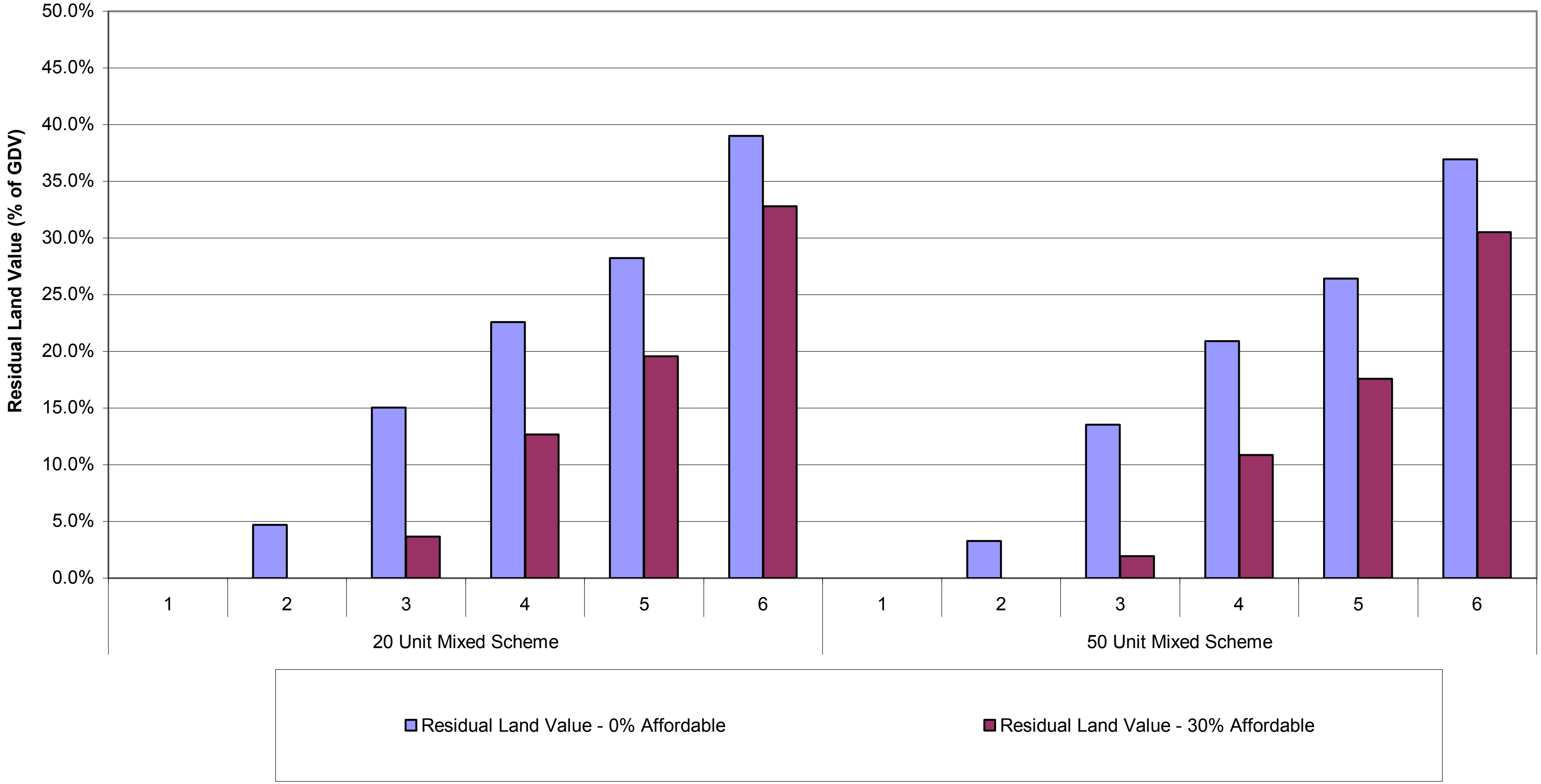
Appendix IIb

Table 4a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	4.7%	0.0%		
	3	15.1%	3.7%		
	4	22.6%	12.7%		
	5	28.2%	19.6%		
	6	39.0%	32.8%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	3.3%	0.0%		
	3	13.5%	2.0%		
	4	20.9%	10.9%		
	5	26.4%	17.6%		
	6	37.0%	30.5%		

Source: Adams Integra, February 2010

Graph 4a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5



Appendix IIb

Table 4b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£1,237,672	£0		
	3	0.14	£4,753,877	£926,977		
	4	0.14	£8,319,588	£3,743,962		
	5	0.14	£11,885,299	£6,583,495		
	6	0.14	£22,582,433	£15,066,010		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£832,693	£0		
	3	0.36	£4,135,082	£478,679		
	4	0.36	£7,446,056	£3,082,366		
	5	0.36	£10,757,029	£5,686,436		
	6	0.36	£20,689,950	£13,474,923		

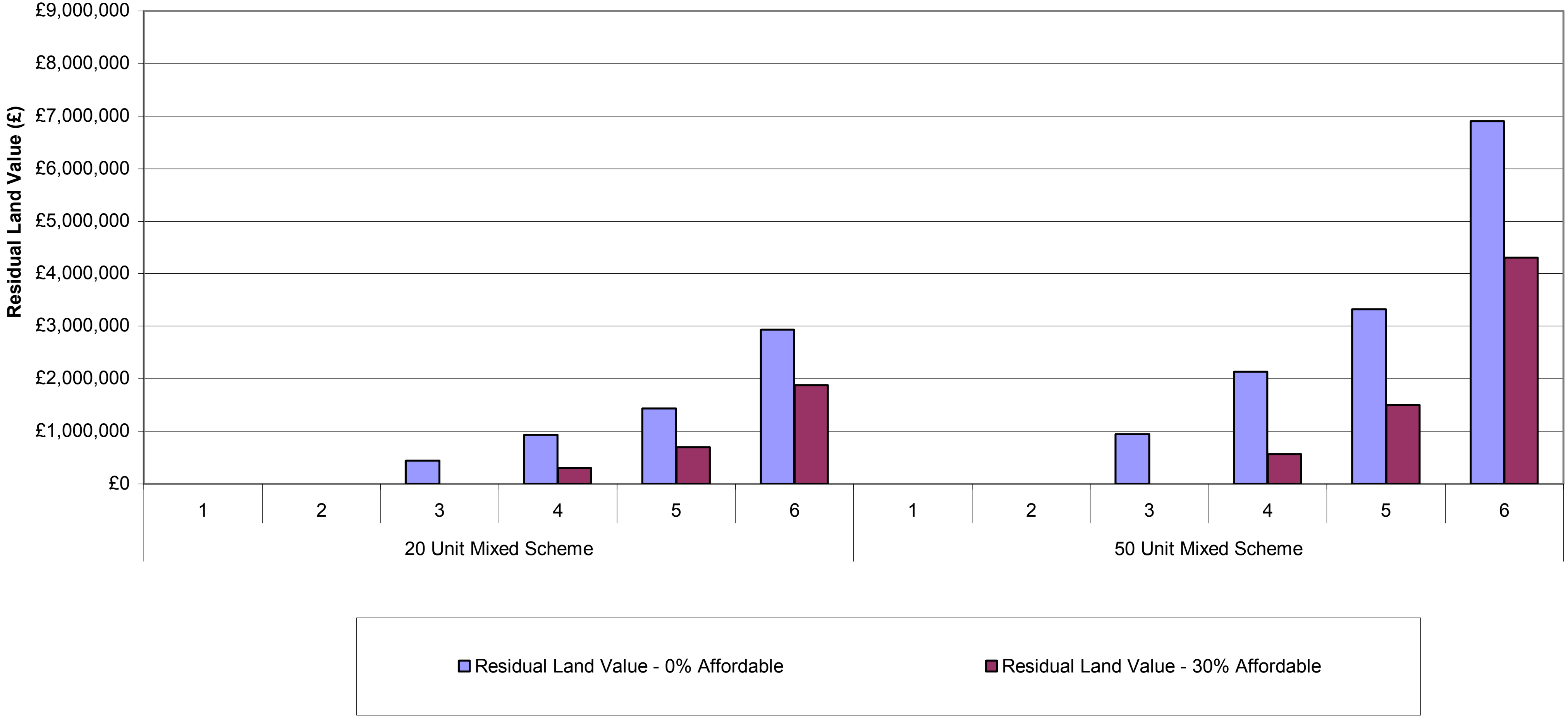
Source: Adams Integra, February 2010

Table 5: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 6

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£0	£0		
	3	£444,722	£0		
	4	£939,337	£301,862		
	5	£1,438,537	£696,284		
	6	£2,936,136	£1,883,836		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£0	£0		
	3	£941,077	£0		
	4	£2,133,028	£562,099		
	5	£3,324,978	£1,499,565		
	6	£6,900,830	£4,303,420		

Source: Adams Integra, February 2010

Graph 5: Summary of Residual Land Values at 0% & 30% Affordable Housing Across All Value Points 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 6



Appendix IIb

Table 5a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 6

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	0.0%	0.0%		
	3	10.1%	0.0%		
	4	18.2%	7.3%		
	5	24.4%	14.8%		
	6	36.2%	29.3%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	0.0%	0.0%		
	3	8.6%	0.0%		
	4	16.6%	5.5%		
	5	22.7%	12.9%		
	6	34.2%	27.1%		

Source: Adams Integra, February 2010

Graph 5a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing Across all Value Points 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 6

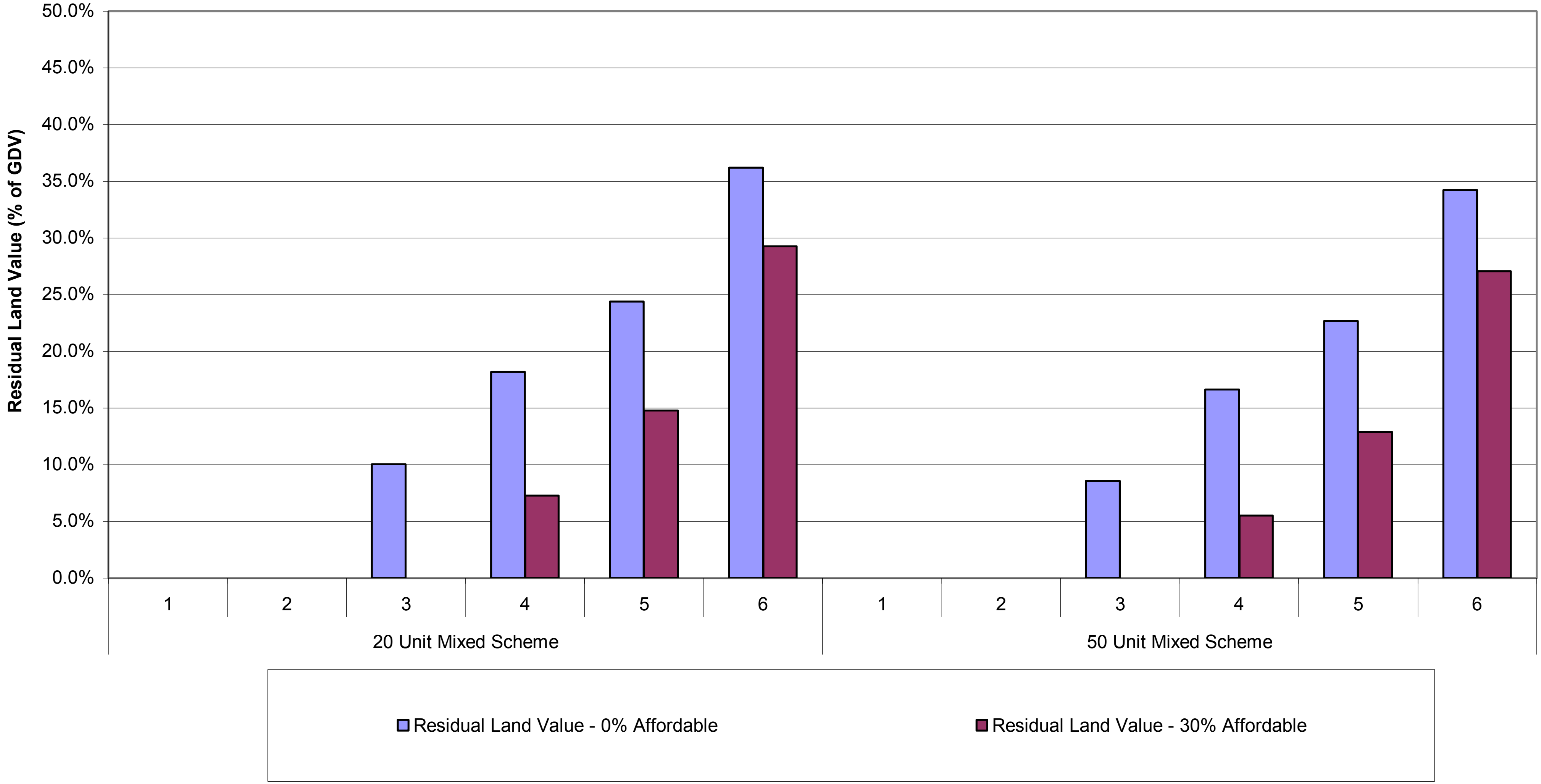


Table 5b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 6

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£0	£0		
	3	0.14	£3,176,589	£0		
	4	0.14	£6,709,551	£2,156,154		
	5	0.14	£10,275,263	£4,973,459		
	6	0.14	£20,972,397	£13,455,974		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£0	£0		
	3	0.36	£2,614,103	£0		
	4	0.36	£5,925,077	£1,561,387		
	5	0.36	£9,236,051	£4,165,457		
	6	0.36	£19,168,971	£11,953,945		

Source: Adams Integra, February 2010

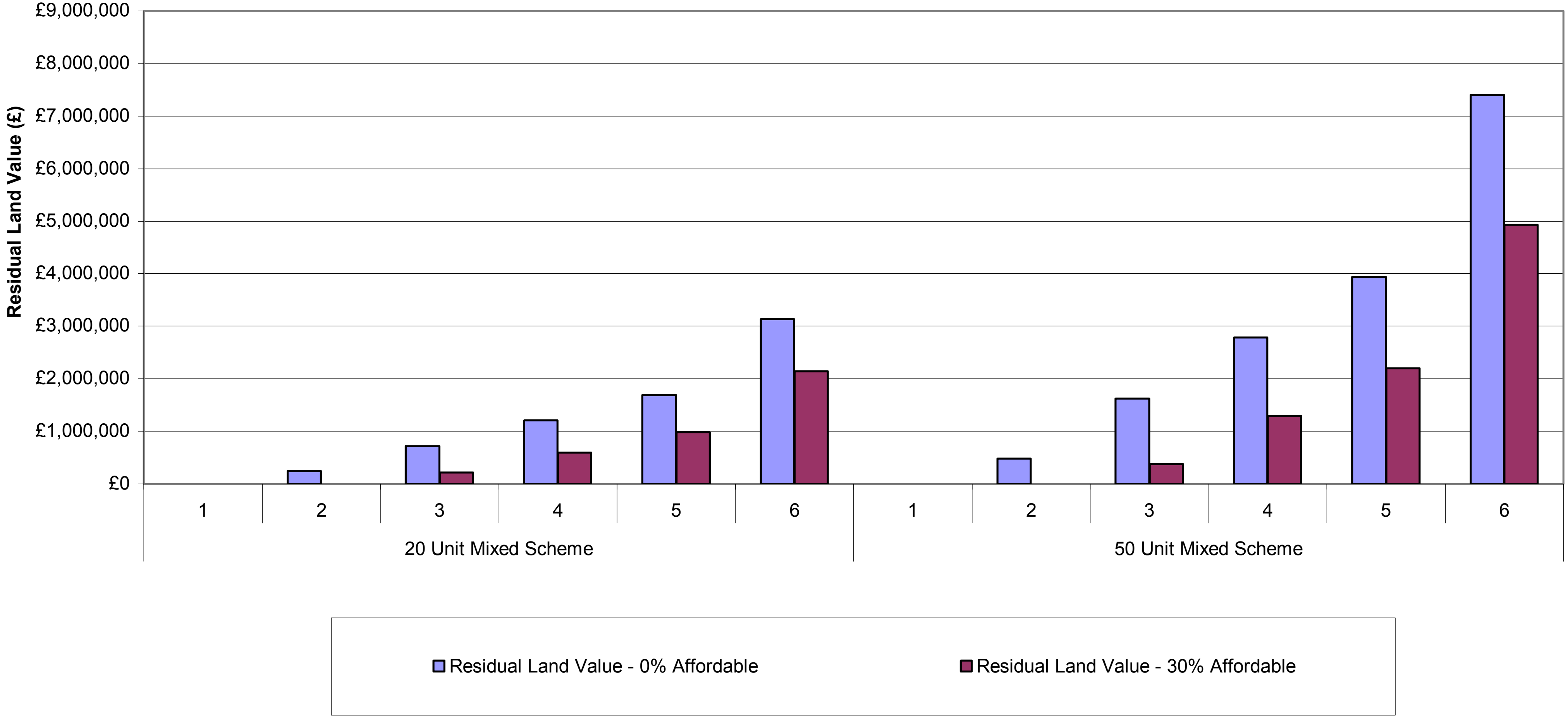
Appendix IIc

Table 6: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 4, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£245,564	£0		
	3	£721,624	£216,230		
	4	£1,205,126	£598,384		
	5	£1,688,627	£985,055		
	6	£3,139,132	£2,140,018		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£479,241	£0		
	3	£1,628,768	£377,160		
	4	£2,783,236	£1,291,293		
	5	£3,937,704	£2,202,560		
	6	£7,401,107	£4,927,818		

Source: Adams Integra, February 2010

Graph 6: Summary of Residual Land Values at 0% & 30% Affordable Housing Across All Value Points 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 4, 20% Developer's Profit



Appendix IIc

Table 6a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	6.7%	0.0%		
	3	16.3%	6.1%		
	4	23.4%	14.5%		
	5	28.6%	20.9%		
	6	38.7%	33.3%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	5.2%	0.0%		
	3	14.8%	4.3%		
	4	21.7%	12.6%		
	5	26.9%	18.9%		
	6	36.7%	31.0%		

Source: Adams Integra, February 2010

Graph 6a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing
Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4, 20% Developer's Profit

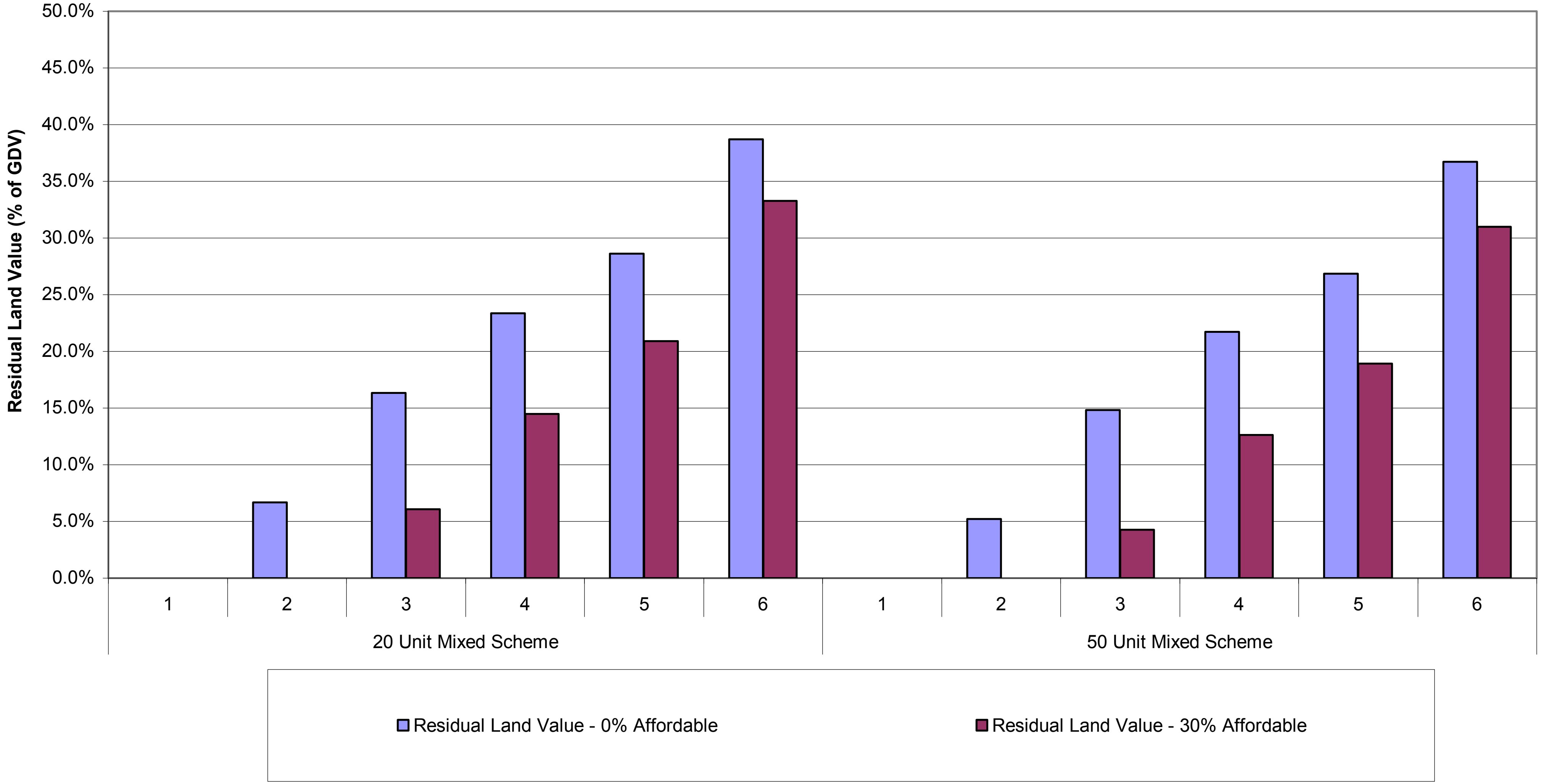


Table 6b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 4, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Housing	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£1,754,029	£0		
	3	0.14	£5,154,458	£1,544,502		
	4	0.14	£8,608,040	£4,274,169		
	5	0.14	£12,061,622	£7,036,110		
	6	0.14	£22,422,368	£15,285,846		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£1,331,225	£0		
	3	0.36	£4,524,356	£1,047,667		
	4	0.36	£7,731,211	£3,586,926		
	5	0.36	£10,938,065	£6,118,221		
	6	0.36	£20,558,630	£13,688,383		

Source: Adams Integra, February 2010

Table 7: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 5, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£91,513	£0		
	3	£571,354	£61,883		
	4	£1,054,856	£452,782		
	5	£1,538,357	£834,785		
	6	£2,988,862	£1,989,748		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£113,818	£0		
	3	£1,263,733	£8,580		
	4	£2,418,201	£926,259		
	5	£3,572,669	£1,837,525		
	6	£7,036,072	£4,562,783		

Source: Adams Integra, February 2010

Graph 7: Summary of Residual Land Values at 0% & 30% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5, 20% Developer's Profit

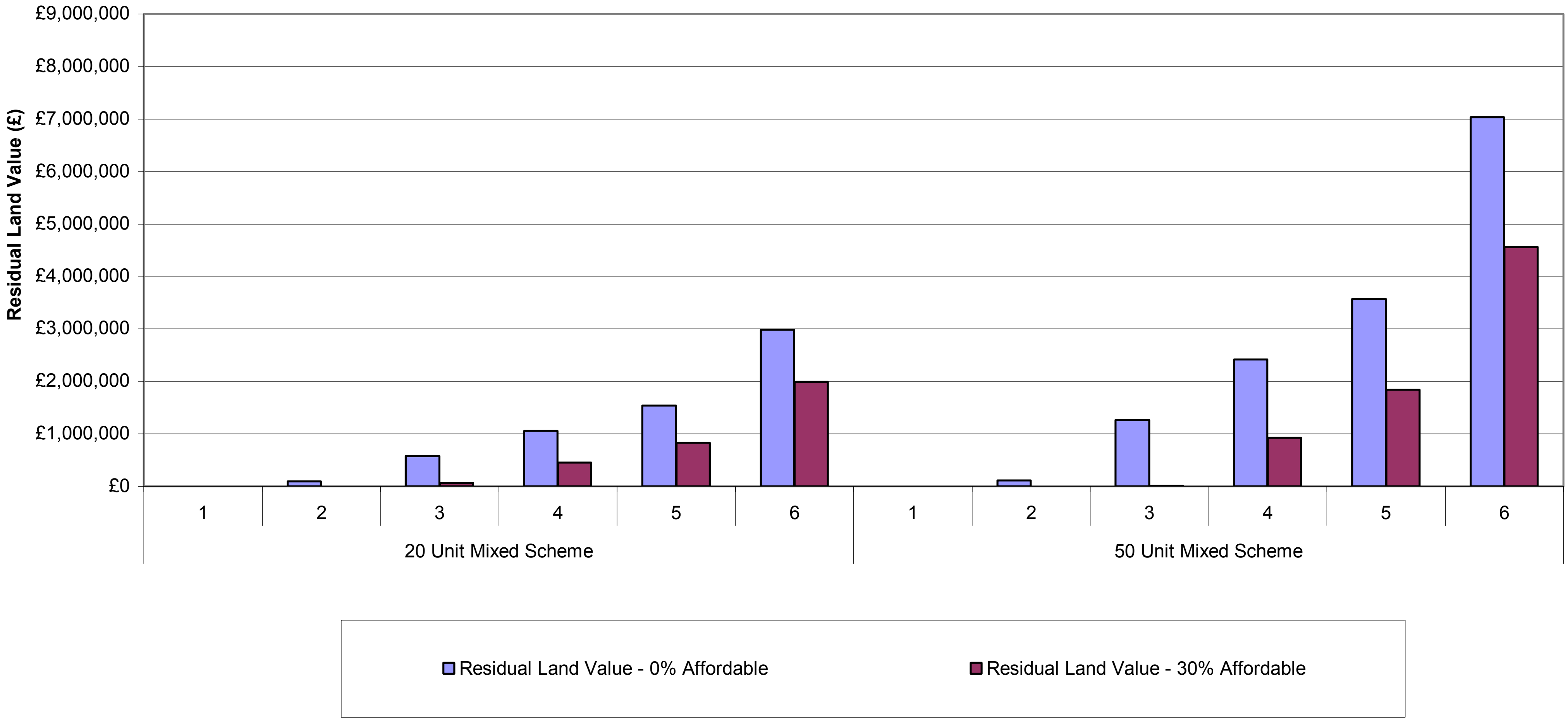
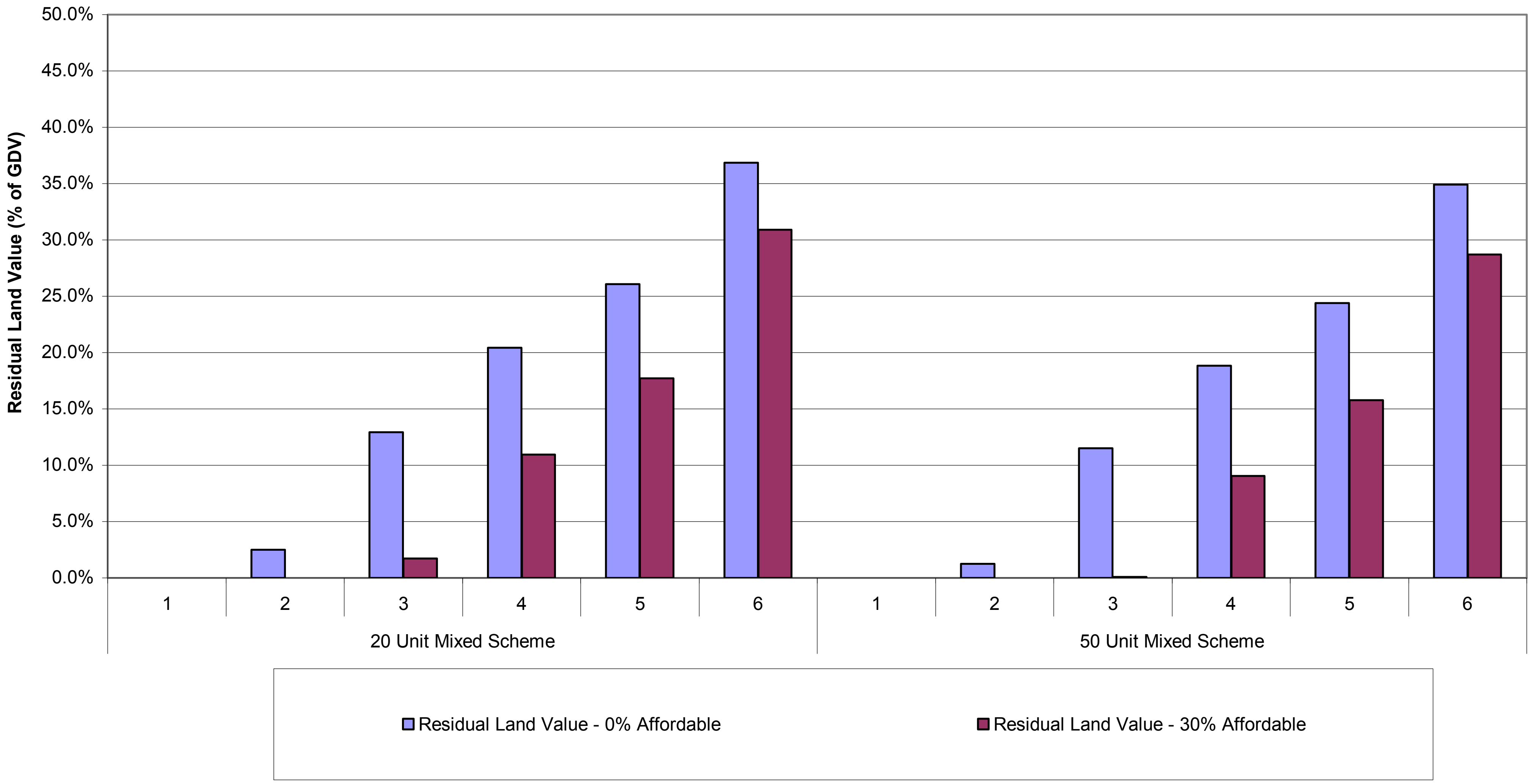


Table 7a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	2.5%	0.0%		
	3	12.9%	1.7%		
	4	20.4%	11.0%		
	5	26.1%	17.7%		
	6	36.9%	30.9%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	1.2%	0.0%		
	3	11.5%	0.1%		
	4	18.9%	9.1%		
	5	24.4%	15.8%		
	6	34.9%	28.7%		

Source: Adams Integra, February 2010

Graph 7a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing
Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5, 20% Developer's Profit



Appendix IIc

**Table 7b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 5, 20% Developer's Profit**

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£653,665	£0		
	3	0.14	£4,081,101	£442,022		
	4	0.14	£7,534,683	£3,234,154		
	5	0.14	£10,988,265	£5,962,752		
	6	0.14	£21,349,011	£14,212,488		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£316,161	£0		
	3	0.36	£3,510,370	£23,834		
	4	0.36	£6,717,225	£2,572,940		
	5	0.36	£9,924,080	£5,104,235		
	6	0.36	£19,544,645	£12,674,397		

Source: Adams Integra, February 2010

Table 8: Summary of Residual Land Value (£) Appraisals for All Value Points - 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 6, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	£0	6	30%
	2	£0	£0		
	3	£349,553	£0		
	4	£829,451	£229,668		
	5	£1,312,952	£609,380		
	6	£2,763,456	£1,764,343		
50 Unit Mixed Scheme	1	£0	£0	15	30%
	2	£0	£0		
	3	£716,181	£0		
	4	£1,870,649	£382,651		
	5	£3,025,116	£1,289,972		
	6	£6,488,520	£4,015,231		

Source: Adams Integra, February 2010

**Graph 8: Summary of Residual Land Values at 0% & 30% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 6, 20% Developer's Profit**

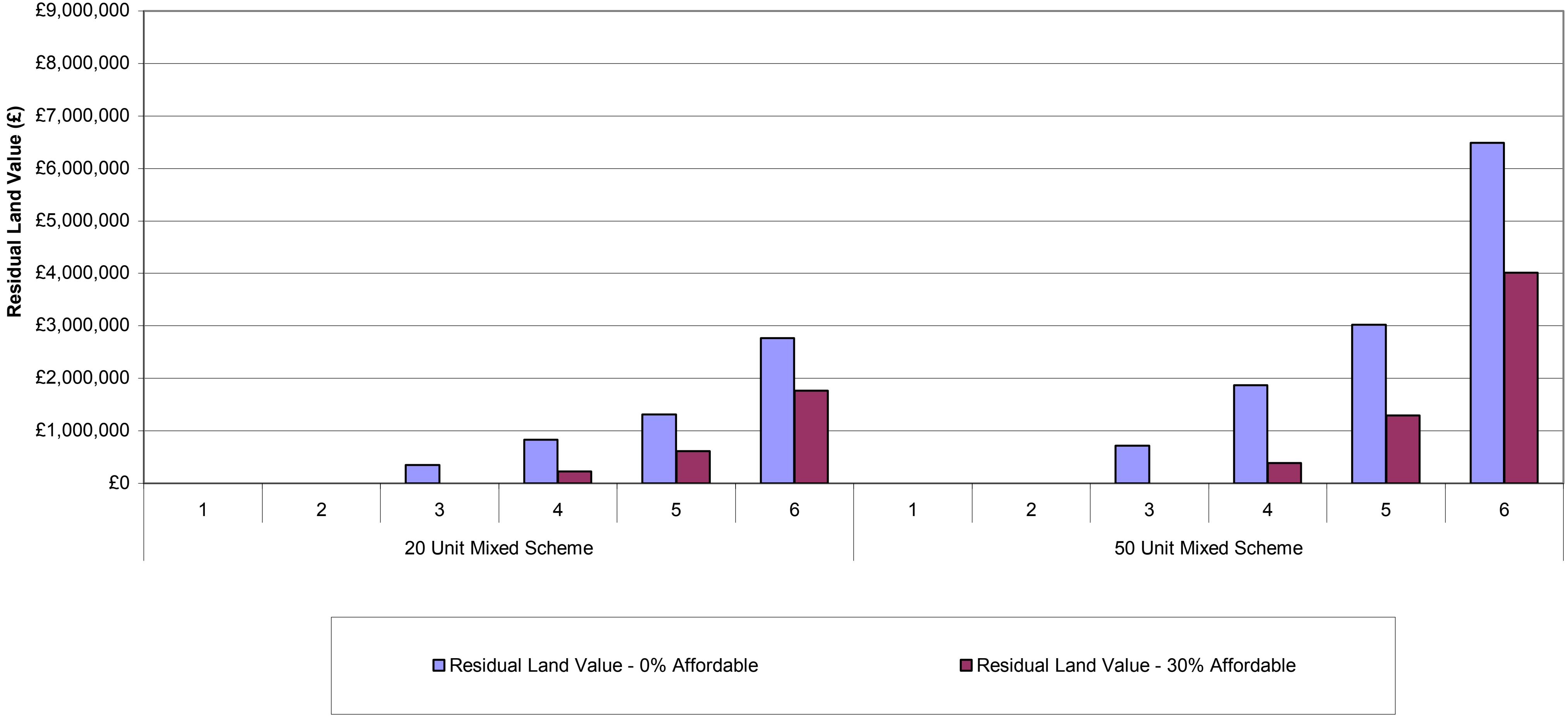


Table 8a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 6, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	0.0%	6	30%
	2	0.0%	0.0%		
	3	7.9%	0.0%		
	4	16.1%	5.6%		
	5	22.3%	12.9%		
	6	34.1%	27.4%		
50 Unit Mixed Scheme	1	0.0%	0.0%	15	30%
	2	0.0%	0.0%		
	3	6.5%	0.0%		
	4	14.6%	3.7%		
	5	20.6%	11.1%		
	6	32.2%	25.3%		

Source: Adams Integra, February 2010

Graph 8a: Summary of Residual Land Values (as % of GDV) at 20% & 30% Affordable Housing
Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
CfSH Level 6, 20% Developer's Profit

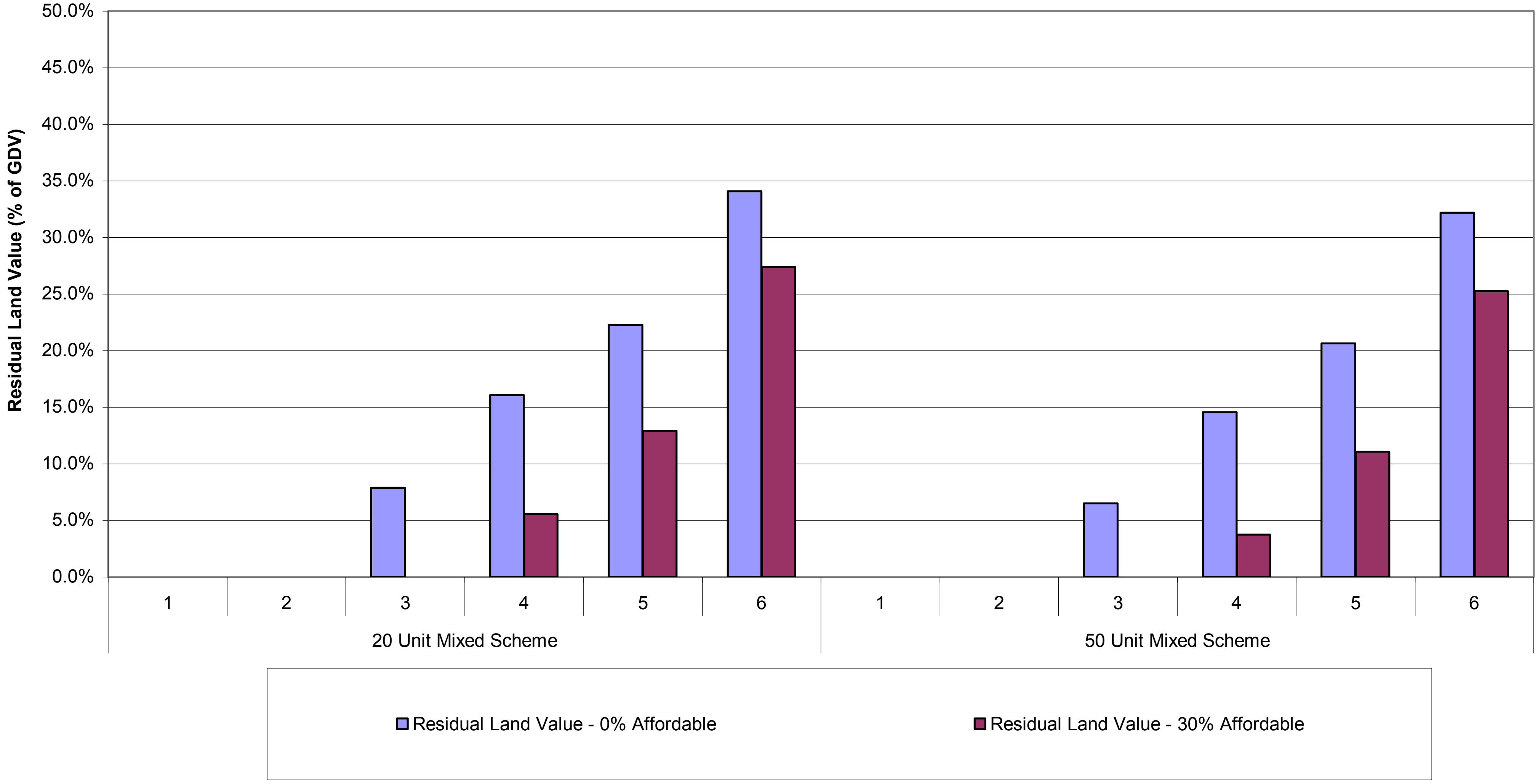


Table 8b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points 70% General Needs Rent/30% Intermediate Tenure Mix CfSH Level 6, 20% Developer's Profit

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value - 0% Affordable	Residual Land Value	No. of On-Site Affordable Units	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	£0	6	30%
	2	0.14	£0	£0		
	3	0.14	£2,496,805	£0		
	4	0.14	£5,924,646	£1,640,487		
	5	0.14	£9,378,228	£4,352,716		
	6	0.14	£19,738,974	£12,602,452		
50 Unit Mixed Scheme	1	0.36	£0	£0	15	30%
	2	0.36	£0	£0		
	3	0.36	£1,989,391	£0		
	4	0.36	£5,196,246	£1,062,920		
	5	0.36	£8,403,101	£3,583,257		
	6	0.36	£18,023,666	£11,153,419		

Source: Adams Integra, February 2010

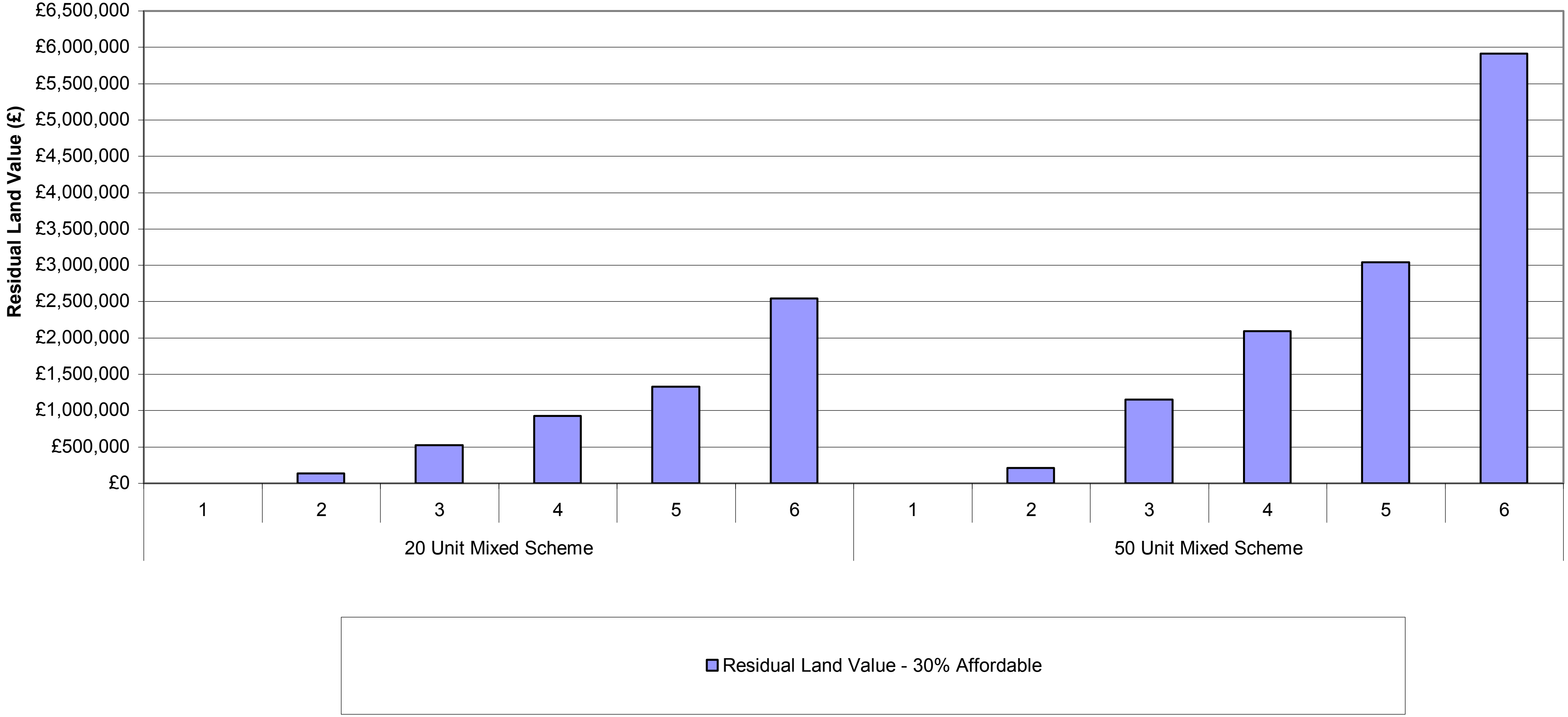
Appendix IId

Table 9: Summary of Residual Land Value (£) Appraisals for All Value Points -
70% General Needs Rent/30% Intermediate Tenure Mix
With Grant

Development Scenario / Threshold	Value Point	Residual Land Value	No. of On-Site Affordable Housing	Equivalent Proportion
20 Unit Mixed Scheme	1	£0	6	30%
	2	£134,455		
	3	£528,405		
	4	£928,760		
	5	£1,328,046		
	6	£2,546,193		
50 Unit Mixed Scheme	1	£0	15	30%
	2	£212,679		
	3	£1,151,340		
	4	£2,096,840		
	5	£3,040,773		
	6	£5,915,638		

Source: Adams Integra, February 2010

**Graph 9: Summary of Residual Land Values at 30% Affordable Housing
Across All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
With Grant**



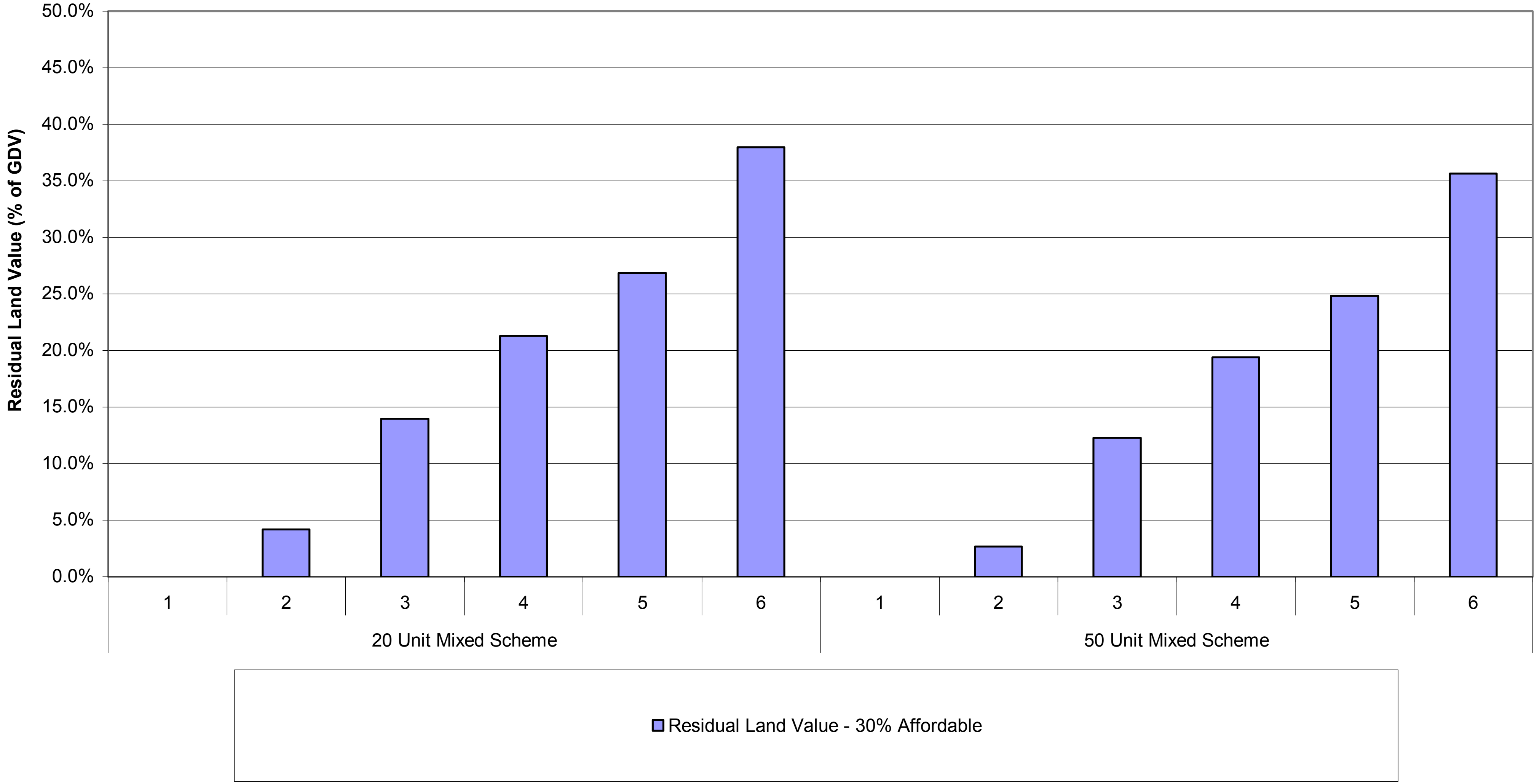
Appendix IId

Table 9a: Summary of Residual Land Value (as % of GDV) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
With Grant

Development Scenario / Threshold	Value Point	Residual Land Value	No. of On-Site Affordable Housing	Equivalent Proportion
20 Unit Mixed Scheme	1	0.0%	6	30%
	2	4.2%		
	3	14.0%		
	4	21.3%		
	5	26.9%		
	6	38.0%		
50 Unit Mixed Scheme	1	0.0%	15	30%
	2	2.7%		
	3	12.3%		
	4	19.4%		
	5	24.8%		
	6	35.7%		

Source: Adams Integra, February 2010

Graph 9a: Summary of Residual Land Values (as % of GDV) at 30% Affordable Housing
Across all Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
With Grant



Appendix IId

Table 9b: Summary of Residual Land Value (£ per Ha) Appraisals for All Value Points
70% General Needs Rent/30% Intermediate Tenure Mix
With Grant

Development Scenario / Threshold	Value Point	Site Size	Residual Land Value	No. of On-Site Affordable Housing	Equivalent Proportion
20 Unit Mixed Scheme	1	0.14	£0	6	30%
	2	0.14	£960,393		
	3	0.14	£3,774,320		
	4	0.14	£6,634,003		
	5	0.14	£9,486,042		
	6	0.14	£18,187,090		
50 Unit Mixed Scheme	1	0.36	£0	15	30%
	2	0.36	£590,775		
	3	0.36	£3,198,167		
	4	0.36	£5,824,556		
	5	0.36	£8,446,593		
	6	0.36	£16,432,327		

Source: Adams Integra, February 2010

Appendix III

Appendix III

Supplementary Property Prices Report for
Portsmouth City Council

Viability Study Update 2010 - Background

Housing Market Overview

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

Royal Institution of Chartered Surveyors (RICS)

In April 2010 The Royal Institution of Chartered Surveyors (RICS) published a Housing Market Survey for March 2010; its monthly update and the latest one available at the point of our update research. The headline they ran with read *'**House prices continue to rise but at a slower pace'***

The survey reported that **sales are expected to increase, albeit at a slower pace, while prices are expected to stabilise**.

It found that '*buyer interest stabilised following 14 months of consecutive increases (January's weather related fall excepted)*'; and that *'the new buyer enquiries net balance fell from +7 to 0. Meanwhile, vendor activity continued to pick up with new instructions net balance rising from +16 to +21, the highest reading since May 2007'.*

'The seasonally adjusted net balance of surveyors reporting rising rather than falling prices over the last three months fell from 18% to 9% in March'

It went on to state: *'Activity is expected to rise over the coming months, but at a more subdued pace than was expected in February, with the sales expectations net balance falling from +15 to +5. Meanwhile, prices are expected to more or less stabilise over the coming months, as indicated by the price expectations net balance, which fell from +5 to -2 in March'*.

And: '*The average stock of property on surveyors' books increased by 6% on the month (the highest monthly increase since February 2008) to 67 per surveyor. Meanwhile, the average number of completed sales fell by 2.8% on the month to 17.1 per surveyor. This had the effect of lowering the sales to stock ratio—a key indicator of market slack—from 27.8% in February to 25.5% (the lowest reading since July 2009)*'.

Looking at the data from a regional perspective, there was significant variation in regional price trends whilst '*London and the South East remained the clear outperformers*'**.**

The survey also includes surveyors' (involved in residential estate agency) market comments. The following are examples provided by firms operating in the region including Portsmouth, Southampton:

'There is increasing uncertainty, with a fall in demand. The general election and the outcome will do much to shape the year ahead. There has to be a drastic reduction in debt before the breaks can be released. It was the residential property market that created the recession, and there are few signs of real recovery. The stamp duty changes will create a two-tier liability up to £250,000. 5% over £1m is a real penalty in high value areas'

'The start of 2010 has been busier than expected after the ending of the stamp duty holiday. This activity was sustained until 22 March since when there has been a reduction in activity and instructions. The imminent election and post election budget announcements are likely to keep the market quiet until at least September'.

'Strong activity at higher end of market but fewer enquiries for middle market property. The general election may deter demand but there is no reason why both vendors and buyers should delay making decisions now whilst borrowing remains favourable'.

Source: RICS Economics – March 2010 RICS housing market survey

Land Registry - House Price Index March 2010 (released 30th April 2010)

England & Wales –	Monthly change -0.6%; annual change +7.5%; average price £164,288
South East -	Monthly change -0.7%; annual change +11.5%; average price £208,035
Portsmouth -	Monthly change +1.0%; annual change +11.3%; average price £145,249

'March's data shows an annual house price change of 7.5 per cent which marks the fifth consecutive month that the figure has been positive. The monthly change is -0.6 per cent, changing the average house price in England and Wales to £164,288. The number of property sales per month has increased since last year, with an average of 58,775 transactions between October 2009 and January 2010, compared to an average of 36,264 in the same period a year before'.

Other Housing Market Sources – May 2010

Interest rates:

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

Mortgage approvals:

As at 19th April 2010, the Council of Mortgage Lender's mortgage website[1] stated as a headline: '*Gross mortgage lending up 24% in March'.* This reflects a rise of 3% from the same point in 2009. However the report goes on to state that gross lending for the first quarter of 2010 showed a 24% decline from the last quarter of 2009 and a 9% decline from the first 3 months of 2009. It states '*this is the lowest quarterly lending total since the first three months of 2000, but is very much in line with our forecast of a gross lending total of £150 billion this year'.*

[1] http://www.cml.org.uk/cml/media/press/2609

In commentary the report goes on to say: '*Overall, housing and mortgage activity remains subdued, but is comfortably higher than in the depths of the recession a year ago. Despite the increase in activity late last year and a subsequent fall early this year - due to the end of the stamp duty holiday - the underlying position looks to have barely changed. But with the gradually improving economic backdrop and interest rates still low, we continue to expect a gentle improvement in market conditions later in the year'.*

And: *'However, the longer-term problems facing the market remain and will limit the speed of recovery in the housing market and wider economy. Financial institutions still face the prospect of around £300 billion of official support schemes beginning to end from next year, and will need to find alternative funding sources. This will likely limit how much new funding can be made available to the housing market'*.

Source: Council of Mortgage lenders web-site – 19th April 2010: www.cml.org.uk

Overall Property Price Change – October 2005 to March 2010

At the time of the research for the 2005 viability study (October 2005), the average house price stood at £144,751 for Portsmouth with sales volumes at 324 and an index of 258.1. House prices continued to rise until February 2008 reaching a peak average value of £162,264 and an index of 289.4. The lag between sales volumes and prices is evident through the fact that sales volumes peaked some 7 months earlier in July 2007 at 612. From this point values declined steadily and sharply to April 2009 where the average value has fallen to £128,189 (a fall of 21% from peak to trough). Sales volumes reached the bottom of the trough in January 2009 with 93 sales. Sales values have since picked up steadily and as of March 2010 (latest available data), the average price in Portsmouth had reached £145,249 (less than 1% above the values seen in October 2005 with sale volumes at a similar level (358 in December 2009 – latest available sales volume data).

New Build property being marketed in Portsmouth – January 2010

The updated new build developments and pricing information was collated through desktop research using websites such as www.rightmove.co.uk, www.primelocation.com and www.smartnewhomes.com.

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

Notes to accompany the following new builds information table:

The price information obtained (at column 5) was usually an asking (marketing) price. This is in our view currently represents the likely market sale price level plus 10% (assuming approximately 10% gap between marketing and sale prices currently). This cannot be definitive.

That price level has been adjusted in columns 6, 7 and 8 to represent a range of additional indications:

- Less 20% (estimated current market less 10%) – Column 6.
- Less 10% (estimated current sale price; i.e. approximately marketing price less 10%) – Column 7.
- Plus 10% (estimated current market plus 20%; i.e. approximately marketing price plus 10%) – Column 8.

In this way, we can consider how pricing might vary as the market does. We develop a scale of values which helps us to see how wide our range of Values Points could be.

In all cases the average prices expressed in £s in this particular table should be treated with caution – high values properties have not been excluded from these calculations (like they were for the overall resale dominated market data above).

We look at the £ per m² pricing, which smoothes out distortions from property types and sizes more effectively, and becomes a key driver for considering the Values Points. When reviewing the table below, those £ per m² figures and their range should be the focus.

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%
Portsea							
Flats							
Timor Building, Queen Street, Portsmouth	3 bed flat (from)	£305,000	97.4	£3,131	£2,505	£2,818	£3,445
	2 bed flat (from)	£205,000	65.3	£3,139	£2,511	£2,825	£3,453
	2 bed flat (from)	£199,000	63.6	£3,129	£2,503	£2,816	£3,442
	2 bed flat (from)	£197,000	64.9	£3,035	£2,428	£2,732	£3,339
	2 bed flat (from)	£197,000	63.6	£3,097	£2,478	£2,788	£3,407
Admiralty Quarter, Queen Street, Portsmouth	3 bed flat	£305,000	97.4	£3,131	£2,505	£2,818	£3,445
	2 bed flat (from)	£185,000	62.6	£2,955	£2,364	£2,660	£3,251
	1 bed flat (from)	£146,000	42.7	£3,419	£2,735	£3,077	£3,761
Caspian Building, Queen Street, Portsmouth	2 bed flat (from)	£215,000	67.1	£3,204	£2,563	£2,884	£3,525
	2 bed flat	£185,000	62.6	£2,955	£2,364	£2,660	£3,251
Bering Building, Queen Street, Portsmouth	2 bed flat (from)	£205,000	65.3	£3,139	£2,511	£2,825	£3,453
	2 bed flat	£205,000	65.3	£3,139	£2,511	£2,825	£3,453
	2 bed flat (from)	£195,000	64.9	£3,005	£2,404	£2,704	£3,305
	2 bed flat (from)	£195,000	64.4	£3,028	£2,422	£2,725	£3,331
	2 bed flat (from)	£195,000	63.6	£3,066	£2,453	£2,759	£3,373
	2 bed flat (from)	£195,000	63.6	£3,066	£2,453	£2,759	£3,373
Lion Terrace, Portsmouth	2 bed flat (Guide Price)	£189,950	52.3	£3,632	£2,906	£3,269	£3,995
Scotia Building, Queen Street, Portsmouth	1 bed flat (from)	£148,000	42.7	£3,466	£2,773	£3,119	£3,813
	1 bed flat (from)	£146,000	42.7	£3,419	£2,735	£3,077	£3,761
	1 bed flat (from)	£139,000	39.2	£3,546	£2,837	£3,191	£3,901
	2 bed flat (from)	£295,000	95.0	£3,105	£2,484	£2,795	£3,416
Average		**£197,598**	**62.6**	**£3,185**	**£2,548**	**£2,867**	**£3,504**
Fratton							
Flats							
Goldsmith Avenue, Portsmouth	2 bed flat	£175,000	71.1	£2,461	£1,969	£2,215	£2,707
	2 bed flat	£158,000	71.1	£2,222	£1,778	£2,000	£2,444
	2 bed flat	£158,000	71.1	£2,222	£1,778	£2,000	£2,444
	2 bed flat	£158,000	62.5	£2,528	£2,022	£2,275	£2,781
	2 bed flat	£155,000	62.5	£2,480	£1,984	£2,232	£2,728
	2 bed flat	£155,000	62.5	£2,480	£1,984	£2,232	£2,728
	2 bed flat	£155,000	63.9	£2,426	£1,941	£2,183	£2,668
	1 bed flat	£125,000	44.7	£2,796	£2,237	£2,517	£3,076
Fratton Road, Portsmouth	2 bed maisonette	£89,950	44.7	£2,012	£1,610	£1,811	£2,214
	1 bed flat	£74,950	23.1	£3,245	£2,596	£2,920	£3,569
Fratton Way, Portsmouth	2 bed flat (from)	£165,000	50.7	£3,254	£2,604	£2,929	£3,580
Average		**£142,627**	**57.08**	**£2,557**	**£2,046**	**£2,301**	**£2,813**
Copnor							
Flats							
Paulsgrove Road, Portsmouth	2 bed flat	£117,500	50.4	£2,331	£1,865	£2,098	£2,564
	2 bed flat	£109,995	43.6	£2,523	£2,018	£2,271	£2,775
	2 bed flat	£109,995	37.3	£2,949	£2,359	£2,654	£3,244

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%
Average		**£112,497**	**43.8**	**£2,601**	**£2,081**	**£2,341**	**£2,861**
North End							
Flats							
The Portsea at Matapan Road, North End, Portsmouth	1 bed flat (from)	£119,950	40.2	£2,984	£2,387	£2,685	£3,282
Average		**£119,950**	**40.2**	**£2,984**	**£2,387**	**£2,685**	**£3,282**
Milton							
Flats							
Locksway Road, Milton, Portsmouth	1 bed flat	£100,000	30.0	£3,333	£2,667	£3,000	£3,667
Average		**£100,000**	**30.0**	**£3,333**	**£2,667**	**£3,000**	**£3,667**
Milton							
Houses							
The Purbrook at Milton Road, Portsmouth	3 bed house (from)	£209,950	55.7	£3,769	£3,015	£3,392	£4,146
	3 bed house (from)	£204,950	55.7	£3,680	£2,944	£3,312	£4,047
The Horndean at Milton Road, Portsmouth	2 bed house (from)	£184,950	42.9	£4,311	£3,449	£3,880	£4,742
	2 bed house (from)	£179,950	42.9	£4,195	£3,356	£3,775	£4,614
Average		**£194,950**	**49.3**	**£3,989**	**£3,191**	**£3,590**	**£4,388**
Cosham							
Houses							
Evesham at Dovercourt Road, Cosham	3 bed house (from)	£219,995	62.6	£3,514	£2,811	£3,163	£3,866
Average		**£219,995**	**62.6**	**£3,514**	**£2,811**	**£3,163**	**£3,866**
Inland Southsea							
Flats							
Victoria Road North, Southsea	1 bed flat	£112,500	50.0	£2,250	£1,800	£2,025	£2,475
Average		**£112,500**	**50.0**	**£2,250**	**£1,800**	**£2,025**	**£2,475**
Drayton							
Flats							
Havant Road, Drayton	2 bed flat (Guide Price)	£175,000					
Average		**£175,000**					

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%
Drayton							
Houses							
Station Road, Drayton	4 bed detached (Guide Price)	£385,000					
Orchard Gate, Drayton	3 bed end terrace (Guide Price)	£295,000					
Havant Road, Drayton	3 bed terraced (Guide Price)	£250,000					
Average		**£310,000**					
Farlington							
Houses							
Old Farm Way, Farlington	3 bed detached (Guide Price)	£325,000					
Average		**£325,000**					
Old Portsmouth							
Flats							
Broad Street, Old Portsmouth	3 bed flat	£799,950	211.5	£3,782	£3,026	£3,404	£4,160
	2 bed flat	£425,000	106.3	£3,998	£3,198	£3,598	£4,398
	2 bed flat (from)	£419,950	106.3	£3,951	£3,160	£3,556	£4,346
Pembroke Road, Old Portsmouth	2 bed flat (Guide Price)	£325,000					
Broad Street, Old Portsmouth	2 bed flat	POA					
Average		**£492,475**	**141.4**	**£3,910**	**£3,128**	**£3,519**	**£4,301**
Old Portsmouth							
Houses							
Grand Parade, Old Portsmouth	3 bed detached (Guide Price)	£629,995					
Average		**£629,995**					
Gunwharf							
Flats							
Plot 264 No 1 Gunwharf Quays	2 bed flat (from)	£950,000	117.3	£8,099	£6,479	£7,289	£8,909
Plot 279 No 1 Gunwharf Quays	3 bed flat (from)	£765,000	129.5	£5,907	£4,726	£5,317	£6,498
Plot 303 No 1 Gunwharf Quays	2 bed flat (from)	£650,000	73.1	£8,892	£7,114	£8,003	£9,781
Plot 299 No 1 Gunwharf Quays	2 bed flat (from)	£575,000	80.3	£7,161	£5,729	£6,445	£7,877
Plot 237 No 1 Gunwharf Quays	2 bed flat (from)	£365,000	60.8	£6,003	£4,803	£5,403	£6,604
Plot 289 No 1 Gunwharf Quays	2 bed flat (from)	£325,000	57.9	£5,613	£4,491	£5,052	£6,174

Address	Description	Price	Size (m2)	Price per m2	Less 20%	Less 10%	Plus 10%
Plot 276 No 1 Gunwharf Quays	2 bed flat (from)	£310,000	57.8	£5,363	£4,291	£4,827	£5,900
Plot 270 No 1 Gunwharf Quays	2 bed flat (from)	£285,000	40.2	£7,090	£5,672	£6,381	£7,799
Plot 177 No 1 Gunwharf Quays	2 bed flat (from)	£210,000	55.1	£3,811	£3,049	£3,430	£4,192
Gunwharf Quays, Portsmouth	2 bed flat	£299,950	45.6	£6,578	£5,262	£5,920	£7,236
Average		**£473,495**	**71.8**	**£6,452**	**£5,161**	**£5,807**	**£7,097**

Further local research – Agents' and developers' sales office comments:

<u>Residential Sales</u>

Harmsworth, Copnor

Relatively new business so unwilling to confirm the value ratings with complete conviction, however believed the general hierarchy of settlements in terms of values to be a generally fair reflection.

Expressed positive movement in values with the 'right' properties being sold within 24 to 48 hours in many cases. Prices continuing to firm although not climbing ridiculously. Asking prices are being achieved more frequently.

Flats sales have stagnated lately as they compete with basic houses in less desirable areas of Portsmouth – Fratton was cited.

Small, 3-bed family homes are the most sought after, and those boasting a downstairs cloakroom and/or loft conversion are most desired. In general, demand is currently outstripping supply.

First-time buyers are on the increase with some entering the property market on £220k homes.

Harmsworth have no new builds on their books.

Beals, North End

In general agreed with the 2005 values ranking/pattern whilst highlighting the difficulty such generalisation of areas presents. There are pockets of improved desirability and therefore value in generally poorer areas – Somerstown was cited as being one case in point with parts having firmed/improved due to the need and desirability of student accommodation.

Southsea (in their opinion) is one of the most desirable areas on the island, with the Edwardian/Victorian houses along the front put up as examples.

Gunwharf (in their opinion) is still top of the list.

There are more flats than houses on the market at present, so their values are possibly disproportionately depressed at present.

Bernards are selling/offering a development site of 0.348 hectares on the seafront at South Parade with planning approval for a mixed use scheme of 92 flats plus 415 sq mtr of ground floor commercial.

Fox and Sons, North End

In their view the 2005 values listing remains basically unchanged with certain obvious caveats – citing the student accommodation in Somerstown for example.

Last 6 months has highlighted supply and demand issues (includes mortgage availability issues) which has had a positive impact on property values.

3 bed family houses with garden are most in demand.

Slight surplus in availability of flats.

Fox & Sons are marketing a new flatted development known as Priory View, being a Downland HA HBD project. OMV prices from £112.500 to £125.500.

Jeffries Fareham (For Paulsgrove area)

A small independent organisation, serving a fairly compact area in the Portsmouth/Hants region.

Did not perceive any major change to the 2005 rankings as they relate to their area of operations, however unable/unwilling to comment on any outside of their normal commercial operating area.

They report a 'tailing off' in the property market for the past 2 years, in their opinion as a direct result of the revised mortgage terms (larger deposit requirements).

Core sales in Paulsgrove are currently 3 bed family properties in the range of £180,000 – £220,000.

Flats are not a "staple" in this area.

Note: We received no response from 2 other residential agents – one dealing with Southsea; the other with Gunwharf, Old Portsmouth, Southsea & Eastney.

Fry & Kent (Now Jeffries) Porchester

Market since mid-January 2010 has been the busiest for 2 years, driven by an easing in the mortgage market, which generated a firming of prices which in turn has encouraged property sales and purchases.

As to the value ranking, in Gary's opinion Somerstown should now be at the very bottom.

Most in demand properties are 3-bed semi-detached houses, with 1 bed flats being the least sales mobile.

In demand property values range from £180 to £200,000.

They have no new build record.

<u>Commercial</u>

Vail Williams Port Solent (Commercial)

Report that the commercial market is subdued.

Very few small commercial development plots around, although industrial land values have held up, office land values have at best held steady, although fallen back general overall since being relatively buoyant in 2005.

In 2008 the empty rates concession was withdrawn by the government, which has had the effect of promoting sale/rental at knock-down prices to avoid the landlord having to pay empty rates, thus further depressing the commercial values.

Available land in short supply in the region, although no common values offered by Vail Williams as in their experience values depend on the many types and quality of the land and how much additional preparation work required.

Overall, they felt that the although the banks report little take up of the available government promoted loans, the reality is that the loans are just not being made available for commercial development thereby further depressing growth in this property sector.

One commercial property on the market with Vail Williams in Dundas Lane with existing structures and in current use on 1.23 acres (0.49 hectares) at £850,000. No further details forthcoming from the agent.

Note: We received no response from 2 additional commercial property and land orientated agencies; and a third had no relevant property listed at the time.

<u>Build Costs</u>

Taylor Wimpey
A large Development and House building Company estimator advised that they would normally use £95 per square foot (£1,022 per sq m) build cost for 'clean' land. All abnormals and s106 contributions, remedial costs etc would be in addition. This applies to all developments, and they not able to comment further on specific regions or developments in the Portsmouth area. They were unable to comment further generally.

<u>Other New Build Sales Information</u>

Pearsons (Southsea, old Portsmouth, Gunwharf)

Marketing a development of 2 and 3-bed town houses called Lidiard Gardens, Southsea. Details not clear, but agent approximated sales price of £3,000 per sq m.

Taylor Wimpey Development – Scholars Walk, Cosham
3-bed, 3 storey town house at £219,995. Approximately £3,666/sq m.

Taylor Wimpey Development – Raglan at Dover Court Road, Cosham
3-bed terraced from £199,995 (approximately £3000 / sq m).

Persimmon Development – Dickens Quarter (Fratton)

2 town house / terraced property types –

"Purbrook" @ 81.78 sq m and between £204,950 and £209,950 results in a sales price of £2,506 mid-terrace, and £2,567 per sq m end of terrace.

"Horndean" @ 65.14 sq m and between £179,950 and £184,950 results in sales price of £2,762 mid, and £2,840 per sq m end of terrace.

Summary and Outcomes

Our research informed a refreshed range of values points, as follows:

	Values Range					
Value Point	**1-Bed Flats**	**2-Bed Flats**	**2-Bed Houses**	**3-Bed Houses**	**4-Bed Houses**	**£ / sq m guide**
1	£100,000	£134,000	£150,000	£170,000	£200,000	£2,000
2	£125,000	£167,500	£187,500	£212,500	£250,000	£2,500
3	£150,000	£201,000	£225,000	£255,000	£300,000	£3,000
4	£175,000	£234,500	£262,500	£297,500	£350,000	£3,500
5	£200,000	£268,000	£300,000	£340,000	£400,000	£4,000
6	£275,000	£368,500	£412,500	£467,500	£550,000	£5,500

Note that marginally revised dwelling sizes from the previous study have been applied this time (they were 51, 66, 76, 86 and 101 m² GIA respectively). In practice the £/m² guide value points may be applied to a wide range of dwelling types and sizes.

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