

Affordable  
Housing  
Viability  
Study

**Horsham District Council**

**Final Report  
August 2010**

*fordham*  
RESEARCH



# Executive summary

## Introduction

- S1 Fordham Research was commissioned by Horsham District Council to carry out a study of affordable housing viability in the District. The Viability Study is intended to inform ongoing work on the preparation of the Local Development Framework (LDF). This builds on the findings of the Northern West Sussex Strategic Housing Market Assessment (SHMA) published May 2009.
- S2 Government Guidance in Planning Policy Statement 3: Housing (PPS3, 2006, para 29) requires Councils to set a '*plan wide*' affordable housing target, and to test this for '*deliverability*' by means of the '*economic viability of land for housing within the area*'.

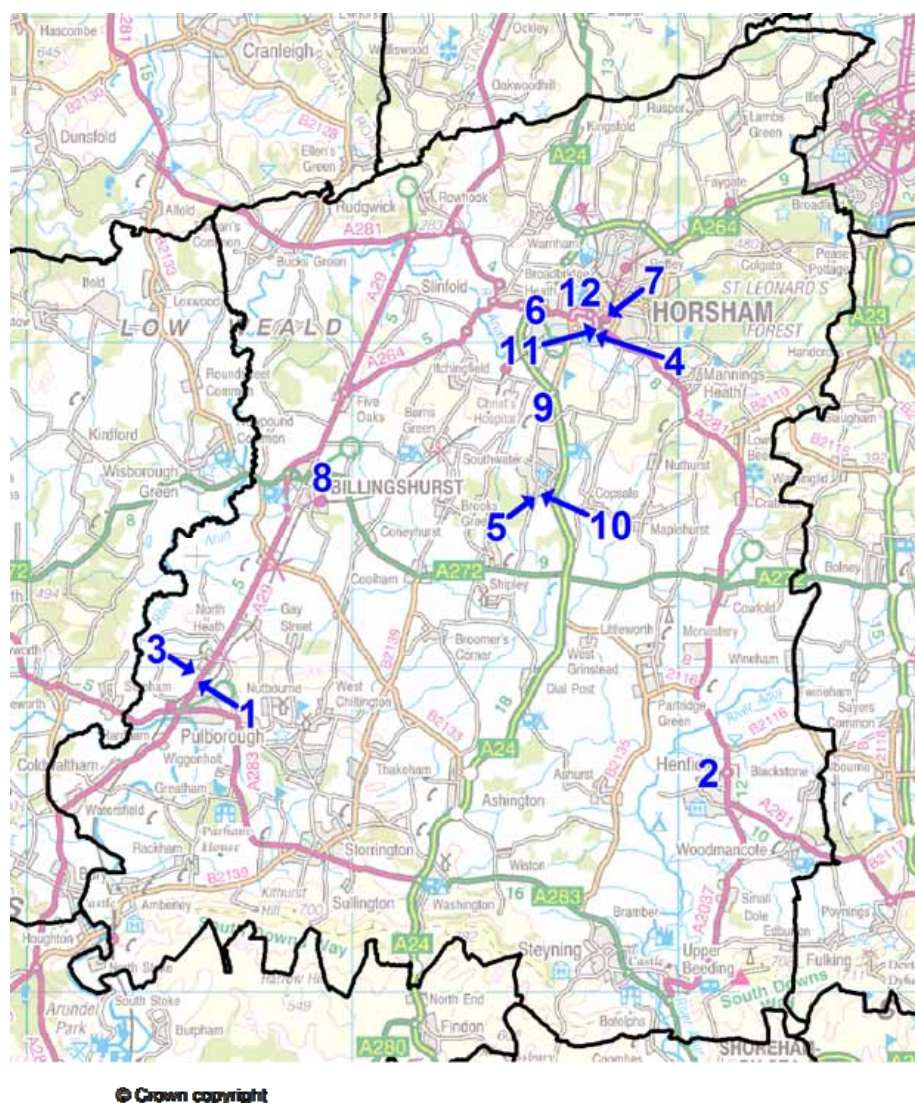
## Summary findings

- S3 We have taken a strategic approach ensuring in particular that the sites were treated consistently. This is because the analysis is designed to test and demonstrate District-wide deliverability in line with the requirements in national guidance. This work is a strategic study designed to inform the development of Plan policy, rather than per se as an exercise to predict as accurately as possible the actual financial outcomes of development on specific sites. The actual sites used in the study should be regarded as indicating more general patterns of development across the study area.
- S4 The results from the appraisals indicate that at current market values and costs it would be possible to sustain a target of 40% affordable housing, with the assumed grant levels, across the study area as a whole.
- S5 With our base assumptions, under present market conditions one of the 12 sites was unviable even with no affordable housing, however, eight of the remaining sites remain viable at 40% affordable housing. This suggests in our view that the 40% target level put forward in the SHMA is reasonable in the present (March 2010) market.
- S6 If all Homes and Communities Agency grant were removed, the 40% target becomes more marginal, and perhaps 35% would be wiser. However it seems unlikely that the HCA grant will vanish entirely and so 40% is a reasonable broad brush target, subject to the future variations driven by the Dynamic Viability process summarised below.

## The approach to valuation

- S7 The study involved preparing financial appraisals for a representative range of sites. These appraisals assessed the capacity of such sites throughout Horsham to support different levels of affordable housing. The approach was to 'model' viability using a range of variables and our bespoke spreadsheet software.
- S8 It was decided that for Horsham the required guidance on viability would best be achieved by looking at a range of site sizes, and at sites that were actual rather than notional. In discussion with the Council, it was decided that a total of 12 representative sites should be examined, and this number would provide scope for exploring viability on sites below the current national guidance size threshold of 15 dwellings.

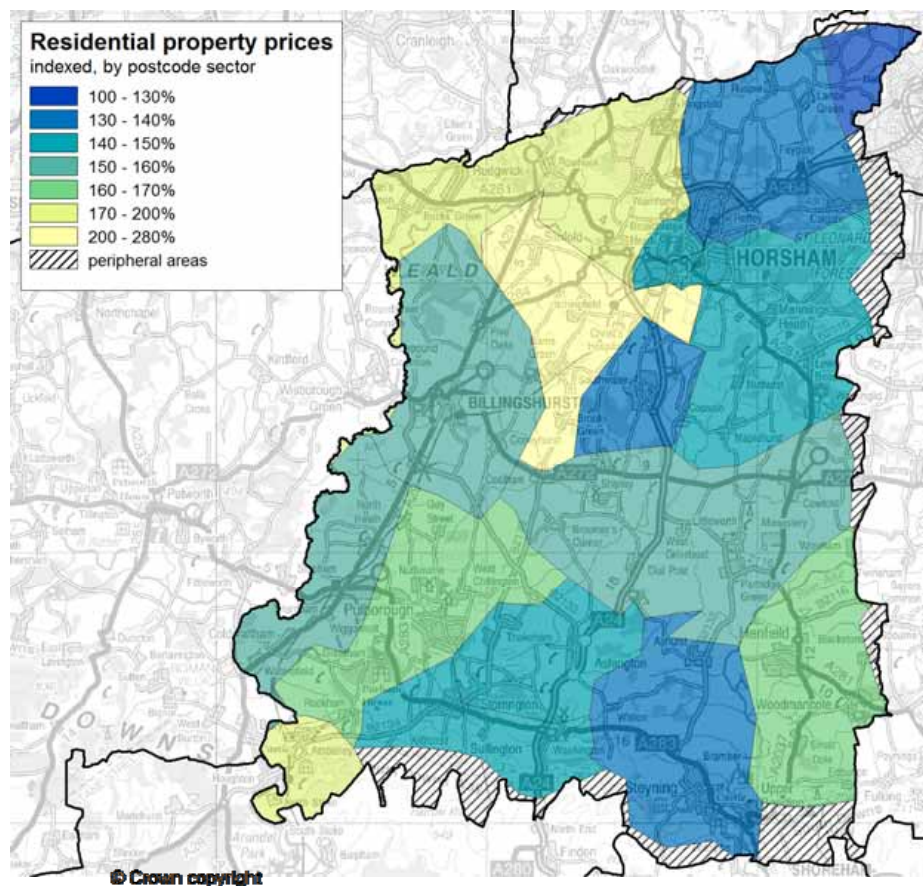
Figure S1 Site locations



Source: Fordham Research 2010

- S9 The key features were:
- i) A final list of 12 sites was established in discussion with the Council. It was chosen to give a range of typical development situations, an appropriate balance between previous uses, a range of site sizes and to give coverage across the four main towns of Horsham, Southwater, Billingshurst, Pulborough & Henfield.
  - ii) The sites ranged in size from six to 146 dwellings. The sites split broadly evenly between brownfield, greenfield and open space/garden type situations.
  - iii) The sites were at various stages in the development process, but all but one were subject to an application.
- S10 The site locations are shown in Figure S1.
- S11 The sites total 535 dwellings on an area of 15.5 ha, at an average density of 35 dwellings per ha net. There is a good range of site size, including five sites under the national threshold guidance size of 15 dwellings. All of the sites are wholly residential development, although one scheme is built above existing car parking which is largely retained.
- S12 A typical brownfield development in the Council area might generate around 15,500 sq ft per acre (3,550 sq m/ha). This standard 'development density' varied upwards for sites in more 'urban' situations, and downwards in more sensitive and low key situations, so as to provide the most plausible development scenario on each site, ensuring that they were representative of development opportunities in the area.
- S13 A wide range of data was collected about housing in Horsham: this included prices, rents and land values. The map below illustrates house price variations across the Council area:

Figure S2 Postcode price indices



Indices compare prices to value for median postcode sector in England & Wales

Source: Fordham Research 2010

### Testing sites for viability assessment

- S14 In order to provide reliable evidence on deliverability, the sites were to be examined under a range of assumptions about the key factors affecting viability:
- i) Affordable housing target levels of 0%, 20%, 30%, 40% and 50%
  - ii) Affordable housing split: 60% social rented and 40% intermediate
  - iii) Land values for alternative uses for the sites: clearly the site viability cannot plausibly fall below the level of alternative use, and so this must be established
  - iv) Assuming that Social Housing Grant (SHG) would be available at rates equivalent to £55-65k per dwelling for social rented units and £25k for intermediate housing
  - v) The calculations consider levels of developer contributions ('planning gain') consistent with current policy

- vi) Level 3 of the Code for Sustainable Homes (CSH) was assumed, and also the Regional Spatial Strategy (RSS) requirement for 10% renewable energy
  - vii) Abnormal costs were assessed and the figures taken into account where information collected for the sites indicated they were likely.
- S15 The appraisals considered viability for two variant scenarios with regard to future changes in price and cost levels. The first reflected a short-term decline (prices falling 10% relative to build) and the second a return to conditions equivalent to the autumn 2007 market peak (prices rising 18 - 19% and costs falling by 6 - 7%). We also considered the impact of different assumptions for tenure split and for CSH Level 4.
- S16 Clearly this range of elements generated a large range of possible outcomes. Those outcomes were assessed through our bespoke valuation methodology to indicate 'residual land values'. This is the standard approach, and assumes that all costs and returns are measured, except for the land value outcome. The latter is the key variable. It can then be compared with other scenarios and with alternative use values. The latter are most commonly agricultural in rural areas and industrial/warehousing in urban locations.

### Appraisal outcomes

- S17 To assess viability, the value of the land for the particular residential scheme adopted needs to be compared to the alternative use value to determine if there is another use which would derive more revenue for the landowner. If the assessed value does not exceed the alternative use value then the development is not viable. If the excess above alternative use value (the 'cushion') is sufficiently large the development is judged viable; if not, then it is classed as marginal.
- S18 For the purpose of a strategic study like the present one it is necessary to take a comparatively simplistic approach to determining the alternative use value. In practice a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.
- S19 Our 'model' approach to alternative use value is outlined below:
- i) For sites previously in agricultural use, then agricultural land represents the existing use value
  - ii) Where the development is on former industrial, warehousing or similar land, then the alternative use value is considered to be industrial, and an average value of industrial land for the area is adopted as the alternative use value

- iii) Where the site is occupied by buildings capable of beneficial use we would estimate their broad value
- iv) Existing use as garden land would have a value greater than agricultural but significantly less than industrial, unless it could feasibly be developed in an industrial or commercial use

S20 The level of the 'cushion' was set at £100,000 per acre – some 20% of the industrial/warehousing benchmark value. Applying this approach, the results for the 12 sites are shown in the table below:

Table S1 Appraisal outcomes: base appraisals, with grant							
No	Site	Alt use value	Value £k per acre				
			No affordable	20%	30%	40%	50%
1	Riverside Pulbora	429	845	629	521	411	297
		529	VIABLE	VIABLE	MARGINAL	NOT VIAB	NOT VIAB
2	Parsonage Farm	10	817	643	552	462	370
		110	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
3	Oddstones Pulbora	92	853	667	582	491	395
		192	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
4	Horsham FC	167	840	677	594	510	422
		267	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
5	Rascals Close	50	736	596	527	455	378
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
6	Farthings Horsham	125	825	656	568	480	391
		225	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
7	St Leonards School	500	968	731	608	490	365
		600	VIABLE	VIABLE	VIABLE	NOT VIAB	NOT VIAB
8	Trees Billingshurst	50	1,638	1,325	1,172	1,016	854
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
9	Trollslund S'water	50	716	567	489	412	335
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
10	The Fieldings	100	856	676	584	490	401
		200	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
11	Queen St Horsham	455	144	-168	-329	-487	-653
		555	NOT VIAB	NOT VIAB	NOT VIAB	NOT VIAB	NOT VIAB
12	Milwood Rd	775	1,151	885	758	622	481
		875	VIABLE	VIABLE	NOT VIAB	NOT VIAB	NOT VIAB

Source: Affordable Housing Viability Study 2010

- S21 The results can be summarised as follows:
- i) At 100% market housing, eleven sites were fully viable and one unviable. At 20% the situation was unchanged.
  - ii) At 30% nine were viable, with one marginal. At 40% eight were viable; at 50% the situation was unchanged.
- S22 Sensitivity testing suggests that at conditions much closer to the peak viability level of autumn 2007, with prices 20% higher than those assumed in our study, and costs 5% lower, all but one of the 12 schemes would have been viable at either 40% or 50% target level with none marginal.
- S23 Conversely, sensitivity testing suggests that should prices fall by a further 10% relative to costs then at 40% little would change; only four sites would not be viable. Similarly if all dwellings were required to meet CSH Level 4, eight of the 12 sites would remain viable. That would also be true if grant availability were reduced to zero.

### Suggested affordable target

- S24 The target of 40% proposed in the SHMA is supported by our analysis. A higher figure would be possible at present grant levels. But the SHMA results limit the target to 40%. This target remains viable provided that public grant does not vanish entirely. The latter seems an unlikely outcome. We have demonstrated that 40% could, assuming some grant, cope with a move to Sustainable Homes Level 4.

### Size thresholds

- S25 The national minimum threshold for site sizes to which affordable targets apply is 15 dwellings (PPS3), but provision is made for lower thresholds where appropriate. In order to provide guidance on this issue the 12 sites included five under the 15 dwelling threshold. One of these unfortunately was the site which was not viable even with no affordable housing. It was in any case quite high density and perhaps untypical of very small sites. The remaining four sites did as well overall as the seven 15+ dwelling sites, although the smallest site (six dwellings) became unviable at 30%.
- S26 Our conclusion was that there is indeed scope for reducing thresholds. The 20% target for sites of 5 -14 dwellings, proposed in the SHMA, is certainly supported by the appraisals. We have suggested that a graduated scale would minimise the disincentive 'steps' that are a feature of threshold policies. This would start at 20% for five dwellings and build gradually to the main target of 40% by 12 dwellings.

## Dynamic Viability analysis

- S27 This is designed to overcome a dilemma created by the economic downturn. During the history of affordable housing targets since their creation in 1991 there had been a broadly rising market. This meant that targets could rise also, and reach their current level of quite commonly around 40 to 50%. The upper limit for any target in Horsham is given by the SHMA: 40%. This is the upper limit for the range of variation under Dynamic Viability.
- S28 The downturn following the Credit Crunch meant that targets had to be lowered. It was always a condition of such targets that they should not render the market housing developments to which they applied unviable.
- S29 There has been no practical suggestion for the way in which affordable housing targets should be treated given their fall in the recession. Many alternative scenarios for future price/cost movements can be generated, but that does not point to a single target. PPS3 is quite clear that there should be a Plan-wide target. Targets cannot be substantially changed through supplementary guidance after the Core Strategy Examination. If a high ('normal market') target were set it would be correctly attacked as undeliverable, and thus contradict the Blyth Valley Court of Appeal decision which requires that targets should be deliverable.
- S30 Fordham Research has therefore devised a system which permits deliverable targets to be set, regardless of future fluctuations in the market, using sets of price and cost indices. It means that the Core Strategy Examination can be presented with the full range of possible target outcomes, and once approved (in whatever form) no new policy change is required to alter the target. It is changed only by the movement of published indexes. The intervals at which it is changed must be infrequent enough to permit an orderly land market, thus perhaps annually.
- S31 In order to generate the data below it is necessary to agree a Benchmark Site. This is necessary to permit a reasonably simple outcome. In the case of Horsham we suggest Site 7 (St Leonard's School Horsham). This site was judged to be fairly typical of future development in Horsham over the Plan period. This is immaterial of whether the site itself is built. Sites of this character will remain typical: this is the assumption.
- S32 The mechanism for producing the target ranges is quite complex. It builds on the viability analysis set out in the summary above. It then examines the full range of possible cost and price changes and generates a matrix of possible affordable targets.
- S33 The 40% cell (in grey) in Figure S3 is the recommended deliverable target for Horsham as a whole. The indexes of cost and price shown in the margins of the table allow future changes in the published indexes to be translated into target changes.

**Figure S3 Base Alternative Use Value: 0% Change - £500,000 Per Acre**

		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCiS Index	-20%	<b>231.8</b>	40%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	15%	40%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	20%	40%	50%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	5%	25%	35%	45%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	10%	25%	35%	45%	50%	55%
	30%	<b>376.7</b>	0%	0%	0%	15%	30%	35%	45%	50%
	40%	<b>405.7</b>	0%	0%	0%	5%	20%	30%	35%	45%
	50%	<b>434.7</b>	0%	0%	0%	0%	10%	20%	30%	35%
	50%	<b>434.7</b>	0%	0%	0%	0%	10%	20%	30%	35%

Source: Fordham Research 2010: Affordable Housing Viability Study 2010

S34 The Coarse Matrix shows 10% intervals in the indexes. This is useful because it allows a wide range of variation in the indexes to be shown at a convenient scale: a wider range of variation than is expected over the whole Plan period.

S35 But the target changes in the Coarse Matrix are as a result quite large: 10-15%. This seems too big a jump for what may be an annual change in the target. Hence we have produced a Fine Matrix shown below. This is based on 4% changes in the indexes rather than 10%.

**Figure S4 Base Alternative Use Value: 0% Change - £500,000 Per Acre**

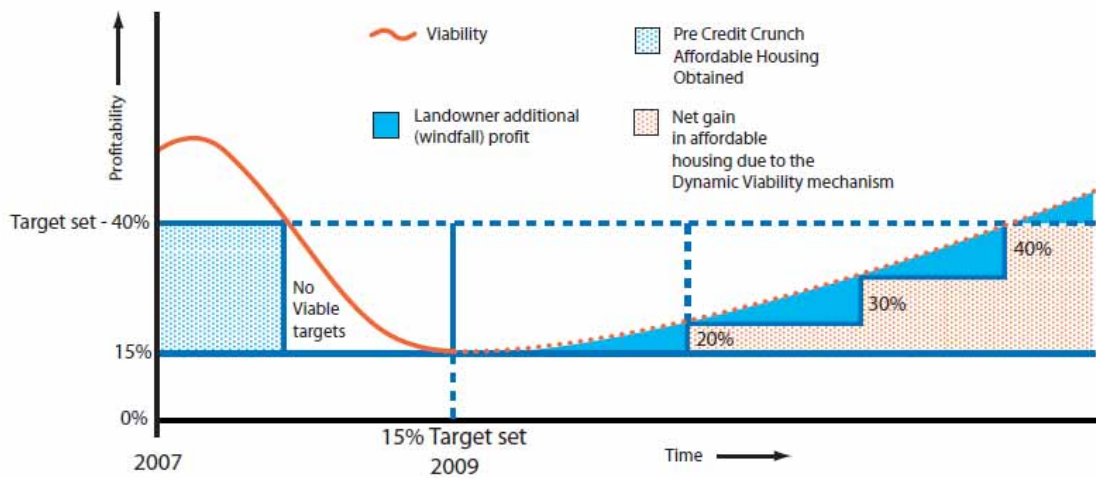
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
Cost Change BCiS Index	-8%	<b>266.6</b>	40%	45%	50%	50%	55%	55%	55%	55%
	-4%	<b>278.2</b>	30%	40%	45%	45%	50%	55%	55%	55%
	0%	<b>289.8</b>	25%	30%	40%	40%	45%	50%	55%	55%
	4%	<b>301.4</b>	20%	25%	30%	40%	40%	45%	50%	55%
	8%	<b>313.0</b>	10%	20%	25%	35%	35%	40%	45%	50%
	12%	<b>324.6</b>	5%	15%	20%	30%	35%	35%	40%	45%
	16%	<b>336.2</b>	0%	10%	15%	25%	30%	35%	35%	40%
	20%	<b>347.8</b>	0%	5%	10%	20%	25%	30%	35%	35%
	20%	<b>347.8</b>	0%	5%	10%	20%	25%	30%	35%	35%

Source: Fordham Research 2010: Affordable Housing Viability Study 2010

S36 As can be seen, in the Fine Matrix the target shifts are normally about 5% within the body of the table and represent manageable levels of change. The Fine Matrix provides a 'close up' version of the Coarse Matrix.

S37 The full detail of this approach is set out in Chapter 9. It includes a 'fine matrix' which is in effect a close up of the one shown above, in order to allow more sensitive variations in the target. The main point is that the Dynamic Viability matrices will ensure that all future changes in the housing market are tracked by deliverable affordable housing targets.

**Figure S5 Gain of Affordable Housing from Dynamic Viability**



Note: This diagram is schematic and does not apply to Horsham

Source: Fordham Research 2010:

S38 This figure also shows that the landowners/developers will gain from any uplift in the market (the 40% pre-credit crunch target shown is general and not specific to Horsham). The basic viability assessment assures the landowner and the developer of a reasonable return. When the market goes up, the private sector will gain a windfall profit (shown by the blue areas under the viability curve) and the public interest will gain affordable housing as the targets are periodically altered.

S39 The Dynamic Viability procedure ensures that the maximum of deliverable affordable housing is achieved.

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# List of abbreviations

£ k	thousand pounds
£ m	million pounds
dw	dwelling
dwgs	dwellings
ft	foot
ha	hectare
m	metre
sq	square
Q1	Quarter 1
LA	Local Authority



# 1. Introduction

## Introduction

- 1.1 Fordham Research was commissioned by Horsham District Council to produce guidance on the financial viability implications of alternative targets and size thresholds for affordable housing provision within the District. This is designed to supplement the findings of the Northern West Sussex Strategic Housing Market Assessment (SHMA), by indicating what are deliverable affordable housing targets for Horsham.

## Context

- 1.2 The context for this study consists of the Guidance which government has provided for doing such work and the broad principles of viability analysis which has of course existed in some form ever since settled civilisation meant that land was bought and sold.

## Guidance

- 1.3 National guidance ((Planning Policy Statement 3) PPS3: Housing 2006) requires Councils to set a target for the proportion of affordable housing to be delivered through new developments. The recently completed SHMA was intended to provide guidance on the levels of affordable housing target that would be justified by the analysis of the area's housing requirements.
- 1.4 This SHMA advice was, essentially, based on an assessment of the balance between the need for market housing and the need for affordable housing. In doing so it did not take into account the commercial factor – i.e. what is viable and what it is realistic to ask developers to provide in this area at this time. Whilst a target of, say, 40% may be the appropriate figure to balance the overall housing market over time it may not be the appropriate target now.
- 1.5 The purpose of the present study is to address that issue, enabling the Council to set a robust target in the light of current commercial circumstances in Horsham. That latter target is just that – a target. The actual amount of affordable housing required on any particular site must be assessed for that actual site and take into account the peculiar factors of developing that site at that point of the economic cycle.
- 1.6 The Guidance position has been supplemented by the Homes and Communities Agency (HCA) in a recent Good Practice Note: *Investment and Planning Obligations: responding to the downturn* (July 2009). The range of guidance is reviewed below.

- 1.7 This study is designed to set the current target in an informed way. Given the pattern of housing market conditions since late 2007, and more particularly a general expectation that the fall in house prices may not yet have run its full course, it may be necessary for any proposed target to be reviewed regularly so as to reflect the resulting changes in the profitability of development.

***The land market***

- 1.8 The availability and cost of land are matters at the core of the viability for any development of new houses. The format of the typical valuation has been standard for centuries and looks like this:

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

- 1.9 The result of the calculation indicates a land value, which acts as the top limit of what a bidder could offer for that site. In this study we use the procedure in reverse:

*Given the likely land values, will a development including X% target for affordable housing be viable?*

- 1.10 The calculation involves the same basic information but is designed for a different purpose. The 'likely land value' is a difficult topic since clearly a landowner will never be entirely frank about the price that would be acceptable: always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'cushion': the margin above the 'existing use value' which would make the landowner sell. Landowners and land buyers are surrounded by agents who argue in their clients' interest, so the process of selling and buying development land is not usually simple or quick.
- 1.11 This study does not attempt to assess the specific price that could or should be paid for each site (please see Figure 1.1 below). The appraisal works out what land on a site may be worth if a range of scenarios were to occur, and then compares that amount with its value in some other use to which it could be put. The study does not attempt to predict when a particular landowner may sell a given site, or even if they will sell, since that is a very site specific matter.

## Reasons for this study

- 1.12 Government Guidance (PPS3: Housing (2006)) contains a paragraph which says that affordable targets should:

*'reflect an assessment of the **likely** economic viability of land for housing within the area, taking account of the risks to delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can reasonably be secured.'* (S29)  
(Fordham Research's emphasis)

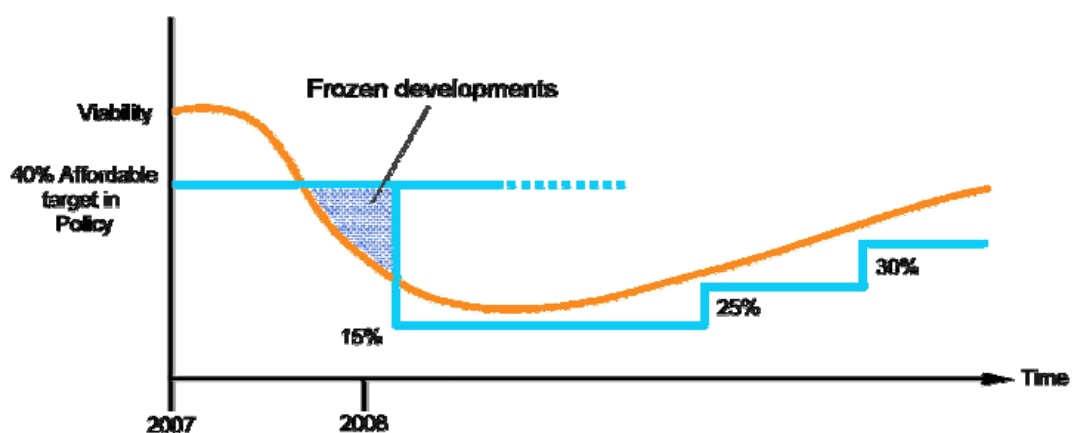
- 1.13 Until the Court of Appeal decision of August 2008 over the Blyth Valley Core Strategy Inspector's Report, nobody really understood that this statement in PPS3 conferred a new duty on local authorities. In summary:

*'There is now a duty on every local authority to ensure that any affordable housing target is broadly deliverable within the area.'*

- 1.14 The word 'likely' in the above quotation from PPS3 is taken to mean that the duty is a 'broad brush' one: the typical site in the local authority should be able to bear whatever target is set. Some sites within the area will not be able to do so, but of course they still have the original scope to make specific submissions at the planning applications stage.

- 1.15 The date at which this new duty was legally defined to exist coincided with the economic downturn. This had the effect of reducing the profitability of new housing developments, and hence their viability. This situation is shown schematically in the figure below:

**Figure 1.1 The effect of the economic downturn on viability**



Source: Fordham Research 2009

- 1.16 The diagram shows that where once a 40% target was easily viable, at the time shown in the diagram, only a 15% target is viable. Projected future improvements in viability mean that at various times in the future 25% and 30% targets may be viable.
- 1.17 The situation depicted in Figure 1.1 has caused difficulty in setting targets. The Homes and Communities Agency (HCA) issued Good Practice Guidance on affordable target setting in July 2009. This sets out (in para 19) two alternative bases for target setting:
- i) Set the target to the minimum (probably current) level of viability : 15% in the example. This would evidently under-provide affordable housing when taken over a plan period.
  - ii) Set the target for a 'normal' market and treat it as flexible
- 1.18 The second approach is based on an unpublished note from the Planning Inspectorate and the Good Practice note advises its use. But the result will not be robust:
- i) The concept of the 'normal' market is unsound. Prices have always varied, and it is not possible to state which of them is 'normal'. Prices rose unevenly for the whole period 1991 to 2007 but no part of the curve can be labelled 'normal'.
  - ii) In the present recession there is no agreement as to how long it will last, and what the curve of viability over time (as illustrated in Figure 1.1) will look like. It could be 'V' shaped, 'U' shaped or 'bath' shaped. Nobody knows. It is quite possible that things will get worse before they get better, and that there will be reverses along the way. In short, any 'normal market' target is likely to be undeliverable for much of its life. Some attempts to set one have based themselves on the 2007 peak. This is unlikely ever to repeat, as the cost and price environment will be quite different in future. There is no safe basis for guessing a 'deliverable' target for a 'normal' market.
- 1.19 The 'normal market' target would therefore be vulnerable to S78 appeal, probably for much of its life, and applicants who went to appeal saying that it was 'undeliverable' would be likely to succeed. Such targets are therefore not robust, or sensible to set.
- 1.20 The Dynamic Viability model was constructed by Fordham Research to provide a third option: affordable targets that are both deliverable and provide a reasonable maximum of affordable housing.

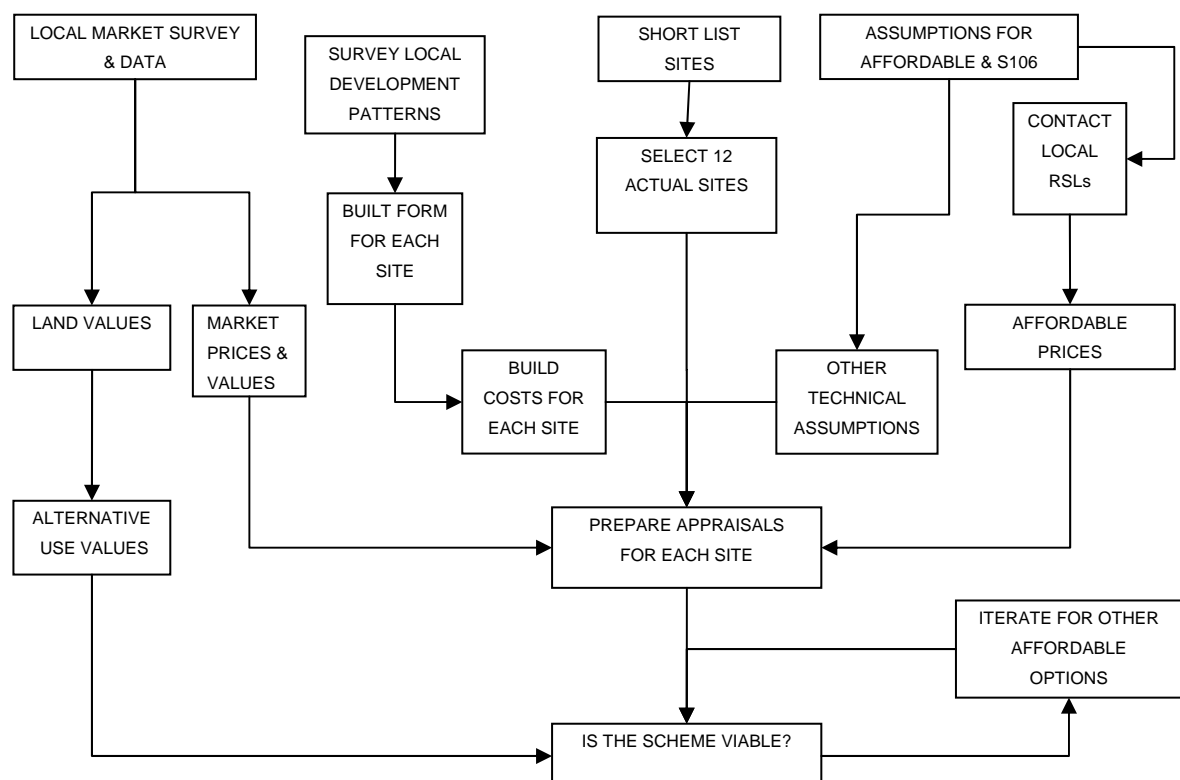
### What this means for the study

This means that the study is in two stages: the first being the standard viability analysis (in Chapters 2 to 7) and then the second stage containing the Dynamic Viability analysis in the latter part of Chapter 8 and Appendix 5.

## Stage 1 viability methodology

- 1.21 The Stage 1 viability methodology is summarised in Figure 1.2 below. Fundamentally, it involves preparing financial appraisals for a representative range of sites across the study area. In this case a selection of sites was chosen from a shortlist.
- 1.22 The appraisals tested alternative levels of affordable housing provision: in each case a combination of social rented and intermediate housing. We considered the likely purchase prices RSLs would pay for units in each category. Assumptions were also required for the developer contributions that would be sought under other headings like education and open space.
- 1.23 We surveyed the local housing market, in order to obtain a picture of sales values for the market housing. We also surveyed land values for residential development, to calibrate the appraisals and for other uses, to assess alternative use values. Alongside this we considered local development patterns, in order to arrive at appropriate built form assumptions for those sites where information from a current planning permission or application was not available. These in turn informed the appropriate build cost figures.

**Figure 1.2 Stage 1 viability methodology**



Source: Fordham Research

- 1.24 A number of other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of pounds per acre/ha 'residual' land values, showing the maximum value a developer could pay for the site and still return a target profit level.
- 1.25 Finally, the residual value was compared to the benchmark alternative use value for each site. Only if the residual value exceeded the benchmark figure, and by what is explained in due course to be a satisfactory margin, could the scheme be judged to be viable.

### **Stage 2: Dynamic Viability analysis**

- 1.26 Fordham Research has developed a model which enables the Council to establish through the Core Strategy Examination a matrix of possible future affordable targets. These would be automatically changed in accordance with published indexes of the performance of the housing market. In this way the target would always remain deliverable, but at the same time would ensure that windfall gains in land value are translated into increased affordable housing. This is in accordance with Government Guidance. It would also ensure that the landowners and housebuilder's margins are not harmed.
- 1.27 The Dynamic Viability approach is set out in Chapter 8 below.

### **Fordham Research**

- 1.28 Fordham Research has been providing advice to Councils in respect of planning gain and development viability since the late 1980s. The firm's approach throughout this time has involved the preparation of financial appraisals. Over the last few years in particular Councils have increasingly commissioned the firm to evaluate financial appraisals which have been prepared by developers in order to support a case for a reduced affordable housing contribution, for enabling development and so on.
- 1.29 Since 1993 Fordham Research has become a leading consultancy in carrying out Housing Needs Surveys and more recently the more wide ranging Strategic Housing Market Assessments that have largely replaced them, and advising Councils on affordable housing policy issues.
- 1.30 Since that time the firm has assisted Councils on very many occasions by providing expert witness services at Local Plan and S78 Inquiries, successfully supporting housing need and affordable housing policies. Particularly in recent years this has regularly included evidence in respect of viability issues.

## Structure of this report

1.31 The remainder of the report covers the following topics:

*Chapter 2* - The individual development sites

*Chapter 3* - Affordable housing and developer contributions assumptions

*Chapter 4* - Local market conditions

*Chapter 5* - Assumptions for viability analysis

*Chapter 6* - Results of viability analysis

*Chapter 7* - Implications of viability results

*Chapter 8* - Dynamic viability results



## 2. Individual development sites

### Introduction

- 2.1 This chapter deals with the sites identified for study, first outlining the key characteristics of each site and then considering the assumptions made about proposed development upon each site for the purpose of producing a financial appraisal. The individual sites chosen were visited at an early stage in the work.

### An area of character

- 2.2 The District of Horsham forms the central part of West Sussex, stretching from the outskirts of Crawley and Gatwick Airport, to the ridgeline of the South Downs a few miles inland from the coast. The town of Horsham, in the north part of the District, is the principal town but there are other significant centres at Southwater and Billingshurst, close to and south west of Horsham, and a line of towns, Pulborough, Storrington, Steyning and Henfield, bounding the Area of Outstanding Natural Beauty along the southern edge of the District.
- 2.3 The busy A24 road runs north south through the District, by-passing Horsham, and providing good access towards London and to the coastal towns. Horsham has reasonable rail links to London via Dorking and Crawley, and a line south to Littlehampton and parts west.
- 2.4 The area's many attractive settlements and buildings of considerable character, and of course the Downland landscape to the south, make it a popular residential location, positioned within easy commuting reach of the employment opportunities and transport links provided by Crawley and Gatwick, and London further afield.

### Identifying a range of sites

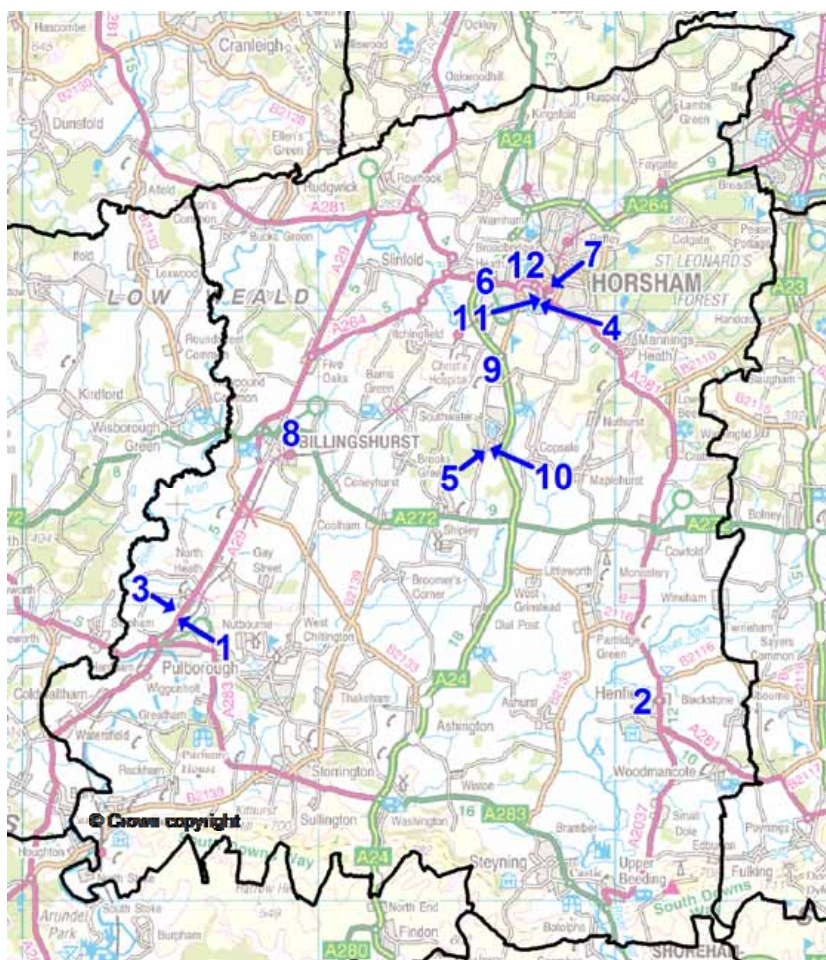
- 2.5 It was decided that, for Horsham, the required guidance on viability would best be achieved by looking at a range of site sizes, and at sites that were actual rather than notional. In discussion with the Council it was decided that a total of 12 representative sites should be examined, and this would provide some scope for exploring viability on sites below the current national guidance size threshold of 15 dwellings.
- 2.6 A final list of sites was established in discussion. They were chosen to reflect a range of typical development situations: an appropriate balance between previous uses, a range of site sizes, and to give coverage across the range of the main towns within the District .

- 2.7 The sites ranged in size from six to just under 150 dwellings. All but three of the sites were on previously developed land.
- 2.8 Whilst the sites were at various stages in the development process, all but one were subject to a planning application: seven of these had been approved with three pending and one refusal. Construction was under way on three of the permitted sites and another two were substantially completed. The remaining site was subject to pre-application discussions.
- 2.9 Information available from the various planning applications was available in considering the appropriate development forms to use in our appraisals.

### The sites

- 2.10 Locations for the sites identified by the Council are shown in the map below:

Figure 2.1 Site locations



Source: Fordham Research 2010

- 2.11 Summary details of the sites identified by the Council are set out in the table below.
- 2.12 The sites total 535 dwellings on a net area of just under 15.5 ha, at an average density of 34.9 dwellings per ha net. There is an emphasis on medium and smaller sized sites, and five are below the national guidance threshold of 15 dwellings.

Table 2.1 Site details

<i>No</i>	<i>Site</i>	<i>Area Ha Net</i>	<i>No dwgs</i>	<i>Net dw ha</i>	<i>Planning status</i>
1	Riverside Concrete Pulburo	2.90	146	50.3	permitted under construction
2	Parsonage Farm Henfield	4.27	130	30.4	pending
3	Oddstones Pulburo	2.40	87	36.3	refused
4	Horsham Football Club Horsham	1.80	48	26.7	permitted under construction
5	Rascals Close Southwater	1.25	30	24.0	pre application
6	Farthings Horsham	0.90	26	28.9	pending
7	St Leonards School Horsham	0.50	20	40.0	permitted largely complete
8	Trees Billingshurst	0.36	14	38.9	permitted not started
9	Trollslund Southwater	0.49	11	22.4	pending
10	W of 36 The Fieldings Southwater	0.22	9	40.9	permitted largely complete
11	36-48 Queen St Horsham	0.12	8	66.7	permitted not started
12	10 Milnwood Rd Horsham	0.26	6	23.1	permitted under construction
	<i>Total</i>	15.47	535	34.9	

Source: Fordham Research 2010

- 2.13 All of the sites are 100% residential use. However site 11 involves retaining the bulk of existing car parking on the site by building residential accommodation at first and second floor levels.

### Development assumptions

- 2.14 In arriving at appropriate assumptions for residential development on each site, the development form in an approved planning application must always be an important consideration. However the application could, conceivably, now be so historic that it represents something that would either not now be proposed or not be permitted. After consideration we took the view that in each case the built form in the current application remains the best basis for carrying out appraisals.

- 2.15 Most Council areas in which we have carried out studies like the present one display a range of development situations and corresponding variety of densities. We have developed a typology which responds to that variety, which is used to inform development assumptions for sites (actual, or potential allocations) where no guidance is available from a submitted or permitted application. That typology enables us to form a view about floorspace density – the amount of development, measured in net floorspace per acre/hectare, to be accommodated upon the site, and which will vary with the intensity of the built form. This is a key variable because the volume of floorspace which can be accommodated on a site has a crucial key impact on its profitability, and is an amount which developers will normally seek to maximise (within the constraints set by the market).
- 2.16 The typology uses as a base or benchmark a typical post-PPG3/PPS3 built form which would provide development at around 15,500 sq ft per acre (3,550 sq m per ha) on a substantial site, or sensibly shaped smaller site. A representative density might be 40-45 dwellings per ha. This has been a common development format for significant sized brownfield sites and some greenfield sites in most urban centres, and increasingly also smaller centres. It provides for a majority of houses (with perhaps 15-25% flats) in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.
- 2.17 Alongside this, there would of course be some schemes of appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 30,000 sq ft per acre (6,900 sq m per ha) and dwelling densities of 100 dw/ha upwards; and schemes of lower density, in sensitive rural or rural edge situations. However, the ‘base’ category as a common urban form referred to above, i.e. 15,500 sq ft per acre (3,550 sq m per ha), might well provide appropriate development assumptions for a majority of the sites in a typical study, with variations from the base informing the remainder. In pressured housing locations like London and the adjoining areas, of course, many or most of the sites will be developed at development densities higher than the 15,500/3,550 benchmark. In Horsham’s case, however, despite the relatively pressured market and high house price level, a good deal of the development taking place is at a comparatively low density, with most houses on two storeys, and relatively few flatted developments.
- 2.18 The standard built form typology does therefore have some relevance in Horsham. It is set out in the table below. We would stress that the short titles used to describe the categories have been adopted for convenience only and must not be taken to imply anything specific about where, or when, they might apply.

Table 2.2 Typology of development form			
Category title	Density		Built form characteristics
	Floorspace net sq ft/acre (sq m/ha)	Dwellings (typical dw/ha)	
Lower density	12,500 (2,875)	20-33	Edge of settlement, less pressured location. Mostly 2 storey, largely 3 & 4 bed detached houses with garages.
<b>Base</b>	<b>15,500 (3,550)</b>	<b>40-45</b>	<b>Mixture of 2 &amp; 2.5/3 storey houses, many terraced; some (15-25%) flats, limited garaging.</b>
Urban	19,500 (4,480)	50	30-35% flats, and/or fewer 2 storey units than base
High	30,000 (6,900)	100+	Flats in small blocks on 3 storeys, parking spaces
Very high	50,000 (11,500)	150+	Flats in larger blocks on 4-6 storeys, parking limited or underground

Source: Fordham Research 2010

- 2.19 The above typology was used to develop model development assumptions for the site where actual information on planning proposals was not available.
- 2.20 The resulting assumptions for residential development for each of the study sites are set out in the table below. Among the 12 sites there is an emphasis towards the lower end of the density range, with five sites in the Lower category, three Base, and four above Base. This is felt to be reasonably representative of development opportunities in the area.

**Table 2.3 Site development assumptions**

No	Site	Category	Net floorspace		Ave dwg net	
			Density		Sq ft	Sq m
			Sq ft/acre	Sq m/ha		
1	Riverside Pulboro	Urban	19,300	4,430	945	88
2	Parsonage Fm Henfield	Low	12,500	2,870	1,015	94
3	Oddstones Pulboro	Base	14,600	3,350	993	92
4	Horsham FC Horsham	Low	12,700	2,920	1,064	99
5	Rascals Cl Southwater	Low	12,500	2,870	1,287	120
6	Farthings Horsham	Low	12,600	2,890	1,079	100
7	St Leonards School	Base	16,000	3,670	991	92
8	Trees Billingshurst	Urban	21,300	4,890	1,351	126
9	Trollslund Southwater	Low	11,500	2,640	1,265	118
10	Fieldings Southwater	Base	14,400	3,310	869	81
11	Queen St Horsham	Urban	19,200	4,410	713	66
12	Milnwood Rd Horsham	Base/Urban	17,300	3,970	1,838	171

Note: Floorspace density figures are rounded

Source: Fordham Research 2010

# 3. Affordable housing and other developer contributions

## Introduction

3.1 This chapter considers the assumptions used to test a range of affordable housing scenarios for the individual sites and similarly the developer contributions assumed for each site.

## Affordable housing assumptions

3.2 We undertook appraisals for a number of development scenarios involving varying proportions of affordable housing and tenure split. The assumptions in respect of proportions, and the financial terms on which they are to be provided, are considered below.

### *(i) Affordable proportion*

3.3 Following discussions with the Council we agreed to test the following options:

- **NO** affordable housing
- 20% affordable
- 30% affordable
- 40% affordable
- 50% affordable

3.4 The Council's current policy is to request a target of 40% generally. The recent Strategic Housing Market Assessment (SHMA) supported a target of this level.

3.5 This and other targets may be proposed in emerging Local Development Framework (LDF) Documents. Any such targets would, of course, be informed in part by the present study.

### *(ii) Tenure split*

3.6 The Council currently seeks a mixture of social rented and intermediate housing, though with a majority (60%) provided as social rented. We were asked to test the 60/40 option but also to provide some guidance on the impact of an increase in the proportion of social rented housing. We therefore considered an alternative 75/25 option.

3.7 In principle, intermediate tenure could constitute a wide range of different housing propositions. The Council's guidance (Planning Obligations SPD June 2007) suggests that intermediate rent or shared ownership would be acceptable as affordable housing, whilst discounted market housing would not. After consideration it was decided that intermediate housing should be assumed to be equivalent to 25% shared ownership with rent at 2% of the unsold equity. It might be provided in various forms, but the outgoings and RSL purchase price would be broadly similar.

**(iii) Size profile**

3.8 After discussion we assumed that the mix of affordable housing on each site should broadly follow the market housing, achieving an average dwelling size (i.e. net sq ft/sq m) in line with that of the market housing. As well as providing the maximum integration between market and affordable provision, this assumption is also a convenient one which ensures that as the affordable housing proportion varies between the options being tested, the floorspace density remains constant. That is a desirable aim if the appraisals are to constitute a realistic development scenario, consistently, across the range of affordable options tested.

**(iv) Financial terms**

3.9 To be consistent with national guidance the Viability Study must take into account the likely availability of public subsidy i.e. Social Housing Grant. The future availability of grant – both the total quantum of grant, and the amounts forthcoming for different sizes of dwelling and tenure – is typically subject to some uncertainty as increasingly the available funding has been directed to achieving specific regional or strategic priorities.

3.10 An assumption based on a 'default position' of zero Social Housing Grant has become a common starting point in this situation. The zero grant assumption also has the incidental advantage of allowing the requirement for grant in individual cases to be calculated more simply than if a set level were already allowed for.

3.11 After consideration it was agreed that appraisals should be produced with an assumption that Social Housing Grant would be available at £55-65k per dwelling for social rented dwellings and £25k per dwelling for intermediate dwellings.

3.12 It was necessary to determine the financial terms on which RSLs should be able to purchase properties of various sizes from the developer under this grant scenario. We drew on recent experience from elsewhere to suggest indicative levels of purchase price.

3.13 These are set out in the table below. It should be noted that the purchase price figures for the intermediate dwellings are identical to those for social rented dwellings. This is a common outcome where relative grant levels are as here. The implication is that variations in tenure split will not impact at all on viability.

Table 3.1 Selling prices: with grant basis				
	£ per sq ft (sq m)			
	Social rented		Intermediate	
	Flat	House	Flat	House
Purchase price with grant	168 (1,810)	160 (1,720)	168 (1,810)	160 (1,720)

Source: Fordham Research 2010

### Other developer contributions

- 3.14 Aside from affordable housing, developer contributions could potentially be sought by the District and County Council under a number of headings. They might be either made in kind or as financial payments. In either case it is necessary to allow for the additional financial cost of such contributions in preparing appraisals for each site.
- 3.15 Guidance on the Council's current policy on contributions from developers is set out in a Supplementary Planning Document (SPD), published in June 2007. Potential developers are also encouraged to use Calculators, available on line, to assess the contributions that would potentially be required for a particular development proposal from the District and County Council. The Calculators in principle indicate the maximum level of contribution; for instance education contributions might not be required where sufficient capacity existed locally to accommodate pupils generated by a modest new development. However, it is possible that some other contributions related specifically to the site – site access for instance – may have been ignored.
- 3.16 The Calculators assume a reduced impact and hence contribution from affordable housing, on the basis that some of the occupants will have already been accommodated within the existing housing stock. They also allow for a reduced transport contribution where reduced parking provision applies. However, we have no information on parking standards for each scheme and so assumed the full standard applied throughout.
- 3.17 We feel that the requirements assessed by the Calculators provide a reasonable basis for preparing appraisals. On balance the assumptions are more likely to have overestimated the appropriate contribution slightly than to have underestimated it.

Table 3.2 Developer contributions assumption			
	Site	total cost £ per: dwelling	
		All market	40% affordable
1	Riverside Pulbore	7,905	7,069
2	Parsonage Fm Henfield	10,318	9,187
3	Oddstones Pulbore	9,921	8,840
4	Horsham FC Horsham	11,909	10,563
5	Rascals CI Southwater	13,622	12,112
6	Farthings Horsham	11,385	10,113
7	St Leonards School	8,624	7,698
8	Trees Billingshurst	12,695	11,293
9	Trollslund Southwater	12,789	11,381
10	Fieldings Southwater	10,175	9,034
11	Queen St Horsham	3,384	3,098
12	Milnwood Rd Horsham	12,414	10,902

Source: Fordham Research 2010

3.18 It must be emphasised that this approach is simply intended to treat the 12 sites consistently and equitably in order to allow financial appraisals to be produced which provide a strategic overview. They do not purport to represent necessarily what would be sought, offered or negotiated on specific sites. Compared to experience elsewhere, the figures are not considered unreasonable.

## 4. Local market conditions

### Introduction

- 4.1 This chapter sets out an assessment of the local housing market in the District of Horsham, providing a basis for the assumptions on house prices and costs to be used in financial appraisals for the 12 sites tested in the study.
- 4.2 As well as house prices, however, land values are also considered. They are required in order to form a view of likely alternative use values for all of the sites, and it is such values which will represent a minimum viability threshold when appraisals are prepared for the range of affordable housing scenarios.
- 4.3 Before looking at the results from the market assessments, there are some general points arising from the nature of the exercise.

### Issues to consider

- 4.4 It is necessary to assess property market conditions in the study area in order to provide a reasonable guide as to likely values to use in evaluating different development proposals.
- 4.5 Although development schemes do have similarities, every scheme is unique to some degree, even schemes on neighbouring sites. While market conditions in general will broadly reflect a combination of national economic circumstances and local supply and demand factors, even within a town there will be particular localities, and ultimately site specific factors, that generate different values and costs. There are indeed quite significant value variations in different parts of the study area.
- 4.6 Property market forces are in a constant state of flux and assessments of viability can change over relatively short periods of time in response to broader economic fluctuations, such as the impact of changes in interest rates on the costs of borrowing, the actual availability of funding and the outlook in the employment market. Equally significant, sub-area market conditions are often changed by local factors.
- 4.7 For example, high value areas encourage demand in lower value neighbouring areas where new developments encourage changes in value growth in what perhaps were previously less popular areas.

## The residential market

4.8 The housing market in the District will, to some extent, reflect national trends but there are local factors that underpin the market including:

- Attractive landscape across virtually the whole of the District but particularly in and adjoining the South Downs
- Many attractive settlements in a range of sizes containing buildings of character and heritage
- Horsham Town Centre, providing a range of retail, leisure, cultural and education facilities
- Settled and attractive residential areas, providing housing within commuting distance of either London or the coastal towns
- A thriving employment centre just adjacent at Crawley/Gatwick, providing a wide range of employment opportunities
- North/south routes providing good transportation links to London and the coastal towns, and via the M23 to the national motorway network
- Good mainline rail links to Crawley/Gatwick, and into London
- Low unemployment rate and relatively little deprivation.

4.9 We analysed various sources of market information but the most relevant are the prices of units on new developments. A list setting out details of relevant new developments in the area, as at March 2009, is provided in Appendix 1. Analysis of these and other schemes in the study area shows that prices for newbuild homes vary across the area ranging between approximately £250 and £335 per square foot (£2,690-£3,550 per square metre). This is the range for individual properties: averaged over the complete scheme the degree of variation would of course be somewhat less than this.

4.10 Table 4.1 shows average prices in Horsham for the latest quarter available from Land Registry, Q4 2009. Although the Land Registry data covers both second-hand and newbuild prices, the former will predominate. The average prices in the table are compared to a corresponding England and Wales figure and expressed as indices.

**Table 4.1 Average house prices Q4 2009: comparison with England & Wales average**

Area	Ave price (£k & % index)			
	Detached	Semi	Terrace	Flat
Q4 09				
Price (£k)	£452.6	£249.8	£220.3	£161.2
No of sales	236	129	115	107
Index	159%	141%	146%	126%

Source: Land Registry data

Index compares LA's ave £k price figure to the median LA value across England & Wales for house type.

- 4.11 Prices in the Horsham area are between 40% and 60% above the average (median Local Authority area), though somewhat less for flats.
- 4.12 As in the country generally, prices fell back between late 2007 and early 2009. Because Land Registry data reports sales after completion there is some lag and the figures show the decline only in a general way, although the decline in sales numbers does show up quite clearly (sales are seasonally low in the first quarter).

Table 4.2 Average house prices in previous quarters					
Quarter		Ave price £k			
		Detached	Semi	Terrace	Flat
Q4 07	ave £k	£510.4	£279.2	£244.3	£172.6
	no of sales	219	176	143	148
Q1 08	ave £k	£502.3	£268.8	£234.8	£167.9
	no of sales	161	89	80	80
Q2 08	ave £k	£486.6	£269.3	£233.3	£166.0
	no of sales	152	118	101	90
Q3 08	ave £k	£441.4	£268.3	£238.5	£180.3
	no of sales	116	89	60	69
Q4 08	ave £k	£437.0	£242.0	£191.4	£160.2
	no of sales	121	86	66	90
Q1 09	ave £k	£385.2	£223.6	£187.0	£147.1
	no of sales	79	61	48	63
Q2 09	ave £k	£397.0	£243.9	£201.8	£145.1
	no of sales	145	98	96	53
Q1 09	ave £k	£438.3	£244.7	£216.3	£166.6
	no of sales	206	136	128	84
Q2 09	ave £k	£452.6	£249.8	£220.3	£161.2
	no of sales	236	129	115	107

Source: Land Registry data.

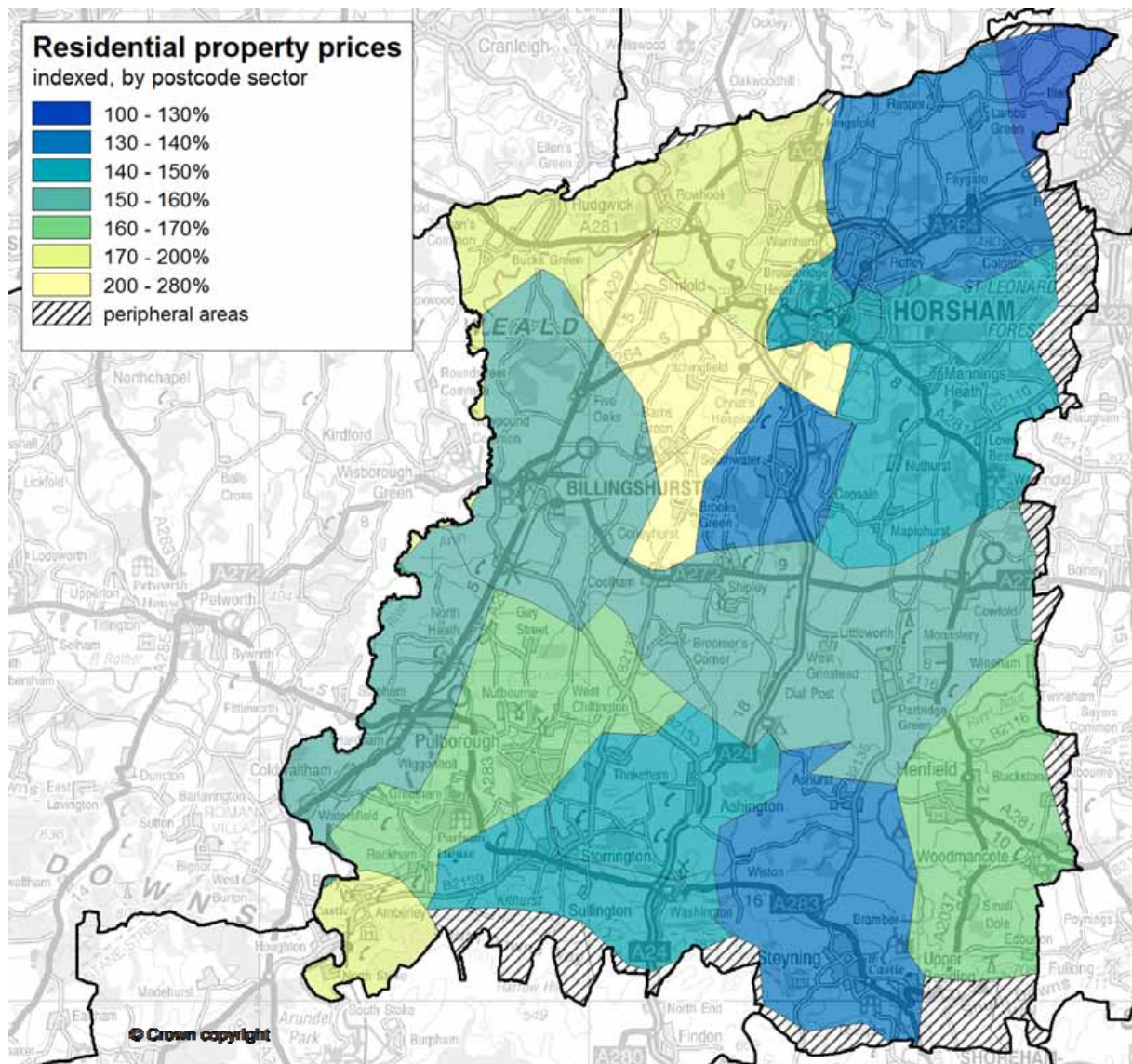
- 4.13 Within a Council area there can be considerable variations in price, and Land Registry house price data at postcode sector level helps to illuminate these variations. Because the number of sales in individual postcode areas in a single quarter can be quite small, we looked at information for three separate quarters (Q4 2008, Qs 2 & 4 2009). The data has been expressed as an index – as a percentage of the nationwide average price level – and standardised, so as to allow for variations in type mix.
- 4.14 Appendix 2 provides a worked example of the index calculation and sets out the resulting price index figures for the three quarters examined.

- 4.15 It can be seen from Appendix 2 that whilst the variations between individual quarters are mostly quite modest, in a couple of postcode areas the variations between the three quarters' indices are more substantial. Such price fluctuations may be due to the relatively small number of sales and indeed variations tend to be greater for rural areas, which are mostly numerically smaller and/or more diverse, than for urban areas where postcode sectors are larger numerically and can also often be more uniform.
- 4.16 The average figures for the three quarters are mapped in Figure 4.1 below. This shows that prices in most postcode sectors are between 130% and 170% of the national average level. One postcode sector – a mainly rural area but including Christ's Hospital, just southwest of Horsham – is significantly more expensive, at well over 200%. Ifieldwood, immediately adjoining the built up area of Crawley, has the lowest prices, but only by a small margin.

### **Price assumptions for financial appraisals**

- 4.17 It is necessary to form a view about the appropriate prices for the 12 individual schemes to be appraised in the study. The preceding analysis suggests that although prices in much of the area will be quite close, values in Billingshurst, Pulborough and Henfield might in general be a little higher than those in Horsham or Southwater.

Figure 4.1 Postcode price indices



*Indices compare prices to value for median postcode sector in England & Wales*

Source: Land Registry

- 4.18 It is also clear that we should allow for differences between apartments, two storey houses and town houses, particularly in locations where flats are going to be attractive. Finally, in drawing on the newbuild price data we have to bear in mind that, particularly in the present market conditions, the prices at which homes are offered may include appreciable discounts such as deposit paid for first-time purchasers, or stamp duty.
- 4.19 Taking these points into consideration we considered what sale prices should be for flats, for two storey and for town houses on each of the 12 sites. These were then to be combined on the basis of the proportions of each type on each scheme to produce a single composite average price.

- 4.20 We established across the study area a range of current new build schemes. Whilst the number of new build schemes currently active were limited, they covered the main areas in the study, i.e Horsham, Southwater, Billingshurst and Pulborough/Storrington. The specific details are set out within Appendix 1 of the report. These provided a useful basis to inform the market assessment and provide a guide for a number of sites.
- 4.21 Values within the area were broadly similar and ranged around a base level of £270-£300 per square foot. Apartments appeared to achieve a greater price in Horsham than elsewhere, presumably reflecting the larger settlement and easy access to employment. Prices on those sites with a premium build specification were assumed to be a little higher than other sites.
- 4.22 The site figures resulting from our type-specific assumptions are set out in the table below.

Table 4.3 Price bands							
Site/location		Price £ per		Site/location		Price £ per	
		Sq ft	Sq m			Sq ft	Sq m
1	Riverside Pulboro	272	2,931	7	St Leonards School	295	3,177
2	Parsonage Fm Henfield	293	3,150	8	Trees Billingshurst	289	3,110
3	Oddstones Pulboro	277	2,977	9	Trollslund Southwater	280	3,013
4	Horsham FC Horsham	282	3,034	10	Fieldings Southwater	275	2,959
5	Rascals Cl Southwater	265	2,851	11	Queen St Horsham	305	3,282
6	Farthings Horsham	285	3,067	12	Milnwood Rd Horsham	295	3,174

Source: Fordham Research

- 4.23 The figures cover a range from the cheapest, £265 per sq ft (£2,851 per sq m) at Rascals Close, to £305 per sq ft (£3,282 per sq m) for the wholly flatted scheme at Queen St. However the differences are not great.
- 4.24 It is necessary to consider whether the presence of affordable housing would have a discernible impact on sales prices. In fact affordable housing will be present on many of the sites whose selling prices have informed our analysis. Our view is that in any case any impact can and should be minimised through an appropriate quality design solution.

### Land values

- 4.25 We have considered general figures from the Valuation Office Agency (VOA) relating to residential land values. Land values vary dramatically depending upon the development characteristics (size and nature of the site, density permitted etc.) and any affordable or other development contribution.

- 4.26 The VOA publishes figures for residential land in the Property Market Report. These cover areas which generate sufficient activity to discern a market pattern. That means locally we have figures for the South East as a whole and major locations within the South East outside London – but no information for individual locations.
- 4.27 These values can, in any case, only provide broad guidance because it is likely that the figures will, to some degree, be net of allowances for developer contributions and/or affordable housing requirements. They can therefore be only indicative, and it is likely that values for ‘oven ready’ land (ie land ready for immediate building) with no affordable provision or other contribution, or servicing requirement, are in fact higher.

Table 4.4 Residential Land Values half year to July 2009			
Area	Land Value £m per acre (hectare)		
	Small sites (< 5 dwgs)	Bulk sites (> 2 ha)	Land for apartments
Guildford	1.500	1.385	1.215
	3.700	3.420	3.000
Reigate	1.415	1.305	1.155
	3.500	3.230	2.850
Brighton	1.315	1.315	1.820
	3.250	3.250	4.500
Worthing	0.870	0.810	0.870
	2.150	2.000	2.150
Portsmouth	0.585	0.565	0.565
	1.450	1.400	1.390

Source: VOA Property Market Report July 2009

- 4.28 Recently the decline in the market and the general economic difficulties have meant that historic values might be of limited application currently. We therefore sought information about values from residential land currently on sale in the District.
- 4.29 There are very few small sites for residential development currently available in the immediate and adjacent areas. Those within the District area pointed to an asking price of around £800k per acre. A schedule of residential land available is set out in Appendix 3.

## Current and Alternative Use Values

- 4.30 In order to assess development viability it is necessary to analyse current and alternative use values. Current use values refer to the value of the land in its current use, for example, as agricultural land. Alternative use values refer to any potential use for the site. For example, a brownfield site may have an alternative use as industrial land.
- 4.31 To assess viability, the value of the land for the particular residential scheme adopted needs to be compared to the alternative use value to determine if there is another use which would derive more revenue for the landowner. If the assessed value does not exceed the alternative use value then the development is not viable.
- 4.32 For the purpose of the present study it is necessary to take a comparatively simplistic approach to determining the alternative use value. In practice a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis the outcome might still be contentious.
- 4.33 Our 'model' approach is outlined below:
- i) For sites previously in agricultural use, then agricultural land represents the existing use value
  - ii) Where the development is on former industrial, warehousing or similar land, then the alternative use value is considered to be industrial, and an average value of industrial land for the area is adopted as the alternative use value
  - iii) Where the site is occupied by buildings capable of beneficial use we would estimate their broad value
  - iv) Existing use as garden land would have a value greater than agricultural but significantly less than industrial, unless it could feasibly be developed in an industrial or commercial use
- 4.34 The VOA's typical industrial land values for the region and nearby locations for the first half of 2009 are set out in the table below.

Table 4.5 Industrial land values			
Area	Land value per acre (hectare)		
	Low	High	Typical
South Eastern Region	£100k (£250k)	£1,000k (£2,475k)	£510k (£1,256k)
Crawley	£690k (£1,700k)	£930k (£2,300k)	£770k (£1,900k)
Guildford/Egham	£445k (£1,550k)	£810k (£2,000k)	£750k (£1,850k)
Basingstoke	£405k (£1,000k)	£765k (£1,890k)	£655k (£1,620k)
Portsmouth	£345k (£850k)	£565k (£1,400k)	£445k (£1,100k)

Source: VOA Property Market Report July 2009

- 4.35 Across the South East as a whole there is quite a spread of values. However, the figures for the nearest major locations range from Portsmouth (£445k per acre, £1.1m per ha) to Crawley at £770k per acre (£1.9m per ha). Crawley is of course a strong and thriving employment location and whilst Horsham is close enough to be influenced by Crawley prices, it is not an area of equal attractiveness for business location; land values will be lower.
- 4.36 The figures in the above table are felt to reflect the downturn in values from 2008 to a considerable degree. There is very little market evidence, though, to suggest what current values might be. Discussions with some local property professionals suggested that around £500k per acre (£1.25m per ha) might be an appropriate benchmark figure for small/medium sites in Horsham town. It appeared that a slightly lower figure might apply further south, and we accordingly reduced the benchmark for the more southerly towns to £450k per acre (£1.11m per ha).
- 4.37 Agricultural values rose for a time several years ago after a long historic period of stability. They are around £5 -10k per acre (£15-25k per ha) depending upon the specific use. A benchmark of £10k per acre (£25k per ha) is assumed to apply here.
- 4.38 In Horsham, these two benchmark values lead directly to an alternative use value for only three of the sites – 1, 7 and 10. For all but one of the remaining sites, the alternative use is felt to be somewhat more valuable than pure agricultural value but nowhere near the value the site would have with an established or potential commercial use. Our view is that for paddock or similar open land, nursery land and so on an appropriate value would be £50k per acre (£125k per ha) whilst for open space or garden land, a greater figure of £100k per acre (£250k per ha) should be used.
- 4.39 Three of the sites in this group also involve the demolition of an existing residential property and accordingly a view needs to be taken about the property's current value. Taking into account evidence of recent sales in the locality, we arrived at figures of £300k for the house at Queensway and £450k for the substantial dwelling at Milwood Rd. The existing farmhouse type property at Oddstones, whilst of some character, is now in a very poor condition and was given a figure of £250k to reflect this.

4.40 The situation on the remaining site, Site 11 Queen St is somewhat unusual. The site is used as a car park and a small block of apartments will be constructed over part of the site, with the bulk of the construction footprint, remaining as undercroft parking. Twenty spaces are lost either to construction or residential parking, although the parking spaces remaining will no doubt be of improved quality. On the other hand the close proximity of the new block to the rear of the adjoining office building will detract from its amenity and some windows will be blocked off. After consideration a total value of £135k was allocated, equivalent to around £450k per acre.

4.41 The value for each individual site that results from the foregoing analysis is summarised in the table below.

Table 4.6 Alternative Use Value bases				
No	Site	Basis	£k per acre	£k per ha
1	Riverside Pulburo	Industrial/warehouse	450	1,110
2	Parsonage Fm Henfield	Agricultural	10	25
3	Oddstones Pulburo	Garden land + dwelling	92	228
4	Horsham FC Horsham	Open space + dwelling	167	414
5	Rascals Cl Southwater	Paddock/grazing	50	124
6	Farthings Horsham	Open space/garden/car park	125	309
7	St Leonards School	Industrial/warehouse	500	988
8	Trees Billingshurst	Treat as paddock	50	1,250
9	Trollslund Southwater	Nursery	50	124
10	Fieldings Southwater	Garden land	100	247
11	Queen St Horsham	Lost parking/amenity	455	1,125
12	Milnwood Rd Horsham	Dwelling + garden land	775	1,231

Source: Fordham Research 2010

4.42 It was noted earlier that brownfield sites may face ‘abnormal costs’ if they are to be redeveloped for residential use. Some of those costs, but not necessarily all, might also arise if the site were redeveloped for the alternative use. The alternative use value would need to be reduced to allow for those costs that would still arise in that situation.

4.43 The costs arising from development or redevelopment of the 12 sites are considered in the next chapter along with the other financial and technical assumptions required to prepare financial appraisals for each of the sites.

# 5. Assumptions for viability analysis

## Introduction

- 5.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the 12 study sites.

## Development costs

### **(i) Construction costs: baseline costs**

- 5.2 Drawing upon our own experience, and taking into account published Building Cost Information Service (BCIS) data, we have over the years developed a set of base £ per sq ft construction costs for different built forms of residential development. The costs are specific to different built forms (flats vs. houses; number of storeys). On the basis of these cost figures it is possible to draw up appropriate cost levels for constructing newbuild market housing in Horsham at a base date of March 2010.
- 5.3 The question arises as to what extent the Code for Sustainable Development should impact on build costs in the study. Whilst from April 2008 the Code's Level 3 has been a requirement for all homes commissioned by RSLs that would not necessarily be the case for affordable homes built by developers for disposal to an RSL, unless grant is made available from the Homes and Communities Agency. However, Level 3 will apply to all newbuild housing (i.e. will be incorporated in Building Regulations) from 2010, with higher levels (Level 4 then 6) intended to be triggered from 2013 onwards. Accordingly for the present study we have assumed that Level 3 applies to both market and affordable housing on the sites being appraised.
- 5.4 We will also need to take into account the Council's policy requirement for 10% renewable energy. That would in practice be overtaken at Level 4, though only partly at Level 3. The 10% renewable requirement would only be triggered at ten dwellings, but for simplicity we have assumed it would apply to all of the appraisal sites.
- 5.5 Guidance on the impact of Level 3 on construction costs has been provided at various points by work, commissioned originally by the HCA, and carried out by Cyril Sweett. Their latest report, *Code For Sustainable Homes: A Cost Review (CLG March 2010)* provides a review and update of earlier estimates, timed to fit in with the 2010 change in standards. It builds on feedback from earlier reports, and attempts to take account of the bedding-in process for new technology, allowing for anticipated cost savings as the new standards become the norm. Consequently the scale of cost increase to achieve Levels 3 and 4, for instance, is reduced to some degree by comparison with what was suggested in previous reports.

- 5.6 The study looks at additional build costs for four benchmark house types in six different development scenarios. The extra costs for CSH Levels 1 - 6 over 2006 Building Regulations standards are set out for the resulting 24 house type/scenario combinations, in a summary table (Executive Summary, page 12).
- 5.7 We have reanalysed the summary to a £ per sq ft/sq m basis. The key results are provided in the table below, which shows additional £ per sq ft/sq m costs for each house type from the most expensive of the six scenarios.

Table 5.1 CSH Level 3-4 additional build costs				
House type	2b flat	2b terrace	3b semi	4b det
Floor area sq ft	656	785	947	1,270
Floor area sq m	61	73	88	118
Additional cost for most expensive scenario				
Level 3 over base cost £ per sq ft	3.7	3.1	3.2	2.1
Level 3 over base cost £ per sq m	40	33	34	23
Level 4 over base cost £ per sq ft	9.7	9.4	8.6	5.4
Level 4 over base cost £ per sq m	104	101	93	59

Source: Fordham Research derived from analysis of BCIS cost data

- 5.8 It can be seen that the highest increase on base costs to achieve Level 3 is £3.70 per sq ft, and the highest increase (from base) to achieve Level 4 is £9.70. On the basis of these figures we have allowed for [Level 3 plus 10% renewables], the base assumption for our appraisals, with a figure of £6.00 per sq ft/£64.60 per sq m, and in sensitivity testing for Level 4, assumed an additional £4.00 per sq ft/£43.00 per sq m. We believe these assumptions are reasonable given the strategic nature of the present study; it would not be appropriate to attempt a detailed estimate to reflect the likely built form of each individual scheme.
- 5.9 After allowing for the above CSH/‘10% renewable’ premium we drew up appropriate cost levels for constructing market housing for the various built forms in the study, taking into account the mix of house types on each. These are set out in the table below.

Table 5.2 Construction costs: market housing					
Build cost £ per sq ft/sq m					
Site	Sq ft	(Sq m)	Site	Sq ft	(Sq m)
1	104.6	1,126	7	102.6	1,104
2	98.3	1,058	8	96.0	1,033
3	100.5	1,081	9	96.0	1,033
4	96.0	1,033	10	96.0	1,033
5	96.0	1,033	11	116.2	1,250
6	98.1	1,055	12	96.0	1,033

Source: Fordham Research derived from analysis of BCIS cost data

### **(ii) Construction costs: site specific adjustments**

- 5.10 It is necessary to consider whether any site specific factors would suggest adjustments to these baseline cost figures. Two factors need to be considered in particular: small sites and high specification.
- 5.11 Since the mid-1990s planning guidance on affordable housing has been based on a view that construction costs were appreciably higher for smaller sites with the consequence that, as site size declined, an unchanging affordable percentage requirement would eventually render the development uneconomic. Hence the need for a 'site size threshold', below which the requirement would not be sought.
- 5.12 It is not clear to us that this view is completely justified. Whilst, other things held equal, build costs would increase for smaller sites, other things are not normally equal and there are other factors which may offset the increase. The nature of the development will change. The nature of the developer will also change as small local firms with lower central overheads replace the regional and national house builders. Furthermore, very small sites may be able to secure a 'non-estate' price premium which we have not allowed for.
- 5.13 In the present study five of the sites are considered to fall into the 'small site' category – those with less than 15 dwellings, i.e. Site 8 onwards. It is felt necessary to make some allowance for the economics of these sites in preparing financial appraisals. A range of cost premiums has been estimated for each specific site size, ranging from 1% for the 14 dwellings at Trees Billingshurst through to 10% for the smallest site, Milnwood Rd, with six dwellings. Any such premium must be based on judgement; as explained above it is difficult to see how hard data could ever be obtained to show the effect of scale alone.
- 5.14 In addition, we considered that Sites 2, 6, 7, 9 and 12 would be built to a slightly higher specification than the other sites. An allowance of an additional 2.5% was assumed in order to cover this.

**(iii) Construction costs: affordable dwellings and final figures**

- 5.15 The procurement route for affordable housing is assumed to be through construction by the developer and disposal to an RSL on completion. In the past, when considering the build cost of affordable housing provided through this route we took the view that it should be possible to make a small saving on the market housing cost figure, on the basis that one might expect the affordable housing to be built to a slightly different specification than market housing. However, the pressures of increasingly demanding standards for RSL properties have meant that for conventional schemes of houses at least, it is no longer appropriate to use a reduced build cost; the assumption is of parity.
- 5.16 Taking all the above into account we arrived at build costs for all (market and affordable) housing which after rounding were as in the table below. To aid understanding, a worked example for site 2 is provided at Appendix 4.

Table 5.3 Construction costs adjusted and rounded: all housing					
Build cost £ per sq ft/sq m					
Site	Sq ft	(Sq m)	Site	Sq ft	(Sq m)
1	104.5	1,125	7	105.0	1,130
2	100.5	1,085	8	97.0	1,045
3	100.5	1,080	9	102.5	1,100
4	96.0	1,035	10	101.5	1,095
5	96.0	1,035	11	124.5	1,340
6	100.5	1,080	12	108.0	1,165

Source: Fordham Research derived from analysis of BCIS cost data

**(iv) Other normal development costs**

- 5.17 In addition to the per sq ft/m build cost figures described above, allowance needs to be made for a range of infrastructure costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs), off site costs for drainage and other services and so on. Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within the present study, and in any case would require at least a design or layout for every site.
- 5.18 Nevertheless it is possible to generalise. Drawing on experience it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

5.19 In the light of these considerations we have developed a scale of allowances, ranging from 10% of build costs for the two smallest sites, to 17.5% for the larger greenfield scheme at Parsonage Farm. The table below sets out the individual site assumptions.

Table 5.4 Development cost allowances		
<i>Ref</i>	<i>Site/location</i>	<i>% of build costs</i>
1	Riverside Pulbora	13.0%
2	Parsonage Fm Henfield	17.5%
3	Oddstones Pulbora	13.5%
4	Horsham FC Horsham	13.5%
5	Rascals Cl Southwater	14.0%
6	Farthings Horsham	14.0%
7	St Leonards School	13.0%
8	Trees Billingshurst	12.0%
9	Trollslund Southwater	14.0%
10	Fieldings Southwater	14.0%
11	Queen St Horsham	10.0%
12	Milnwood Rd Horsham	10.0%

Source: Fordham Research 2010

**(v) Abnormal development costs**

5.20 In some cases where the site involves redevelopment of land which was previously developed there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures, piling or flood prevention measures at waterside locations, remediation of any land contamination, remodelling of land levels and so on.

5.21 Several of the sites are on or partly on previously developed land. On some of these, from the information made available to us and visits to the sites, it appears that exceptional or abnormal development costs would need to be taken into account in preparing appraisals. As pointed out in the previous chapter (4.42) some abnormal costs could also arise in the event of the site's redevelopment with an alternative use.

5.22 The schedule below sets out the abnormal costs considered to apply in each case where they arise:

**Table 5.5 Abnormal development costs**

Ref	Site	Item	Residential:cost		Alternative use cost
			Total £k	£k per acre	£k per acre
1	Riverside Pulburo	ground/clearance, slope	225	31	21
2	Parsonage Fm Henfield	none	0	0	0
3	Oddstones Pulburo	demolition	15	3	0
4	Horsham FC Horsham	demolition	60	13	0
5	Rascals Cl Southwater	power line	150	49	0
6	Farthings Horsham	access slope	20	9	0
7	St Leonards School	demolition	75	61	0
8	Trees Billingshurst	none	0	0	0
9	Trollslund Southwater	none	0	0	0
10	Fieldings Southwater	none	0	0	0
11	Queen St Horsham	undercroft, parking spaces	125	422	0
15	Milnwood Rd Horsham	demolition, craneage	50	78	0

Source: Fordham Research 2010

5.23 The table also shows the adjustment needed to ensure that an alternative land value reflects the costs incurred in developing an alternative use, where this is applicable. In fact in no case would abnormal costs arise.

**(vi) Fees**

5.24 We have assumed professional fees amount to 10% of build costs in each case.

**(vii) Contingency**

5.25 For previously undeveloped and otherwise straightforward sites we would normally allow a contingency of 2.5% with a higher figure of 5% on more risky types of development, previously developed land and central locations. The 5% figure was used on the brownfield sites 1, 7 and 11, and an intermediate rate of 3.75% on the mixed sites 4 and 12, with 2.5% on the remainder.

**Financial and other appraisal assumptions**

**(i) VAT**

5.26 For simplicity it has been assumed throughout, as with most financial appraisals, that either VAT does not arise, or its effect can be ignored.

**(ii) Interest rate**

- 5.27 Our appraisals assume 7.5% pa for debits and credits. This may seem high given the very low base rate figure (MLR 0.5% March 2010), but has to reflect banks' view of risk for housing developers in the present situation.
- 5.28 Credit arises in practice only for a short time at the end of the scheme.

**(iii) Developers' profit**

- 5.29 We normally assume that the developer requires a return of 20% on total costs (equivalent to 16.7% of income) to reflect the risk of undertaking the development. That assumes that the costs are estimates of costs, as they are indeed here intended to be, rather than contract prices which would include a profit element.
- 5.30 However, where a guaranteed sale applies, the developer's profit margin ought to be reduced in order to reflect the reduction in risk. The affordable units will be sold at an agreed price and programme. With a range of affordable provision being tested it was felt appropriate to reflect the resulting variations in risk with variations in the developer's profit. Consequently a sliding scale of profit margins was used, as shown below. This effectively applies a reduced rate (15%) to the affordable component.

Table 5.6 Profit margins	
<i>% affordable</i>	<i>Profit % on costs</i>
0%	20%
20%	19%
30%	18.5%
40%	18%
50%	17.5

Source: Fordham Research 2010

- 5.31 It should be noted that residential developers commonly use a slightly more conservative profit margin of 15% on income, which equates to about 17.5% on costs. Bearing in mind the current financial climate, we see no justification for reducing the profit margins from the levels suggested.

**(iv) Void**

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

**(v) Phasing and timetable**

- 5.34 The appraisals are assumed to have been prepared using prices and costs at a base date of March 2010 with an immediate start on-site.
- 5.35 A pre-construction period of six months is assumed for all of the sites. Each dwelling is assumed to be built over a nine month period.
- 5.36 The phasing programme for an individual site will reflect market take-up and would in practice be carefully estimated taking into account the site characteristics and, in particular, size and the expected level of market demand. We have developed a suite of modelled assumptions to reflect site size and development type, as set out in Table 5.7 below:

Table 5.7 Market pace assumptions			
	Site	Dwgs	
		Total	Ceiling rate per qtr
1	Riverside Pulbora	146	15
2	Parsonage Fm Henfield	130	12
3	Oddstones Pulbora	87	11
4	Horsham FC Horsham	53	7
5	Rascals Cl Southwater	30	6
6	Farthings Horsham	26	5
7	St Leonards School	20	5
8	Trees Billingshurst	14	4
9	Trollslund Southwater	11	3
10	Fieldings Southwater	9	3
11	Queen St Horsham	8	4
15	Milnwood Rd Horsham	6	2

Source: Fordham Research 2010

**Site acquisition and disposal costs**

**(i) Site holding costs and receipts**

- 5.37 Each site is assumed to proceed immediately and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

**(ii) Acquisition costs**

- 5.38 Acquisition costs include stamp duty at 4% on site values of £0.5 million and above (reduced below this level) together with an allowance of 1.5% for acquisition agents' and legal fees.

**(iii) Disposal costs**

- 5.39 For the market housing, sales and promotion and legal fees are assumed to amount to some 3.5% of receipts. For disposals of affordable housing these figures can be reduced significantly depending on the category. We have assumed total allowances of 0.5% for social rented housing and 1.5% for shared ownership.

**Alternative use value comparison**

- 5.40 In the previous chapter we identified alternative use values to be used as benchmarks in determining viability for each site. As we saw above these values might need to be adjusted in some cases to allow for abnormal costs that would arise if the alternative use were implemented. As Table 5.5 showed, after considering each of the sites with abnormal costs we concluded that in only one case would abnormal cost need to be incurred in order to realise the alternative use. The values set out in Chapter 4 can therefore be applied unadjusted except for site 1, where the use value is reduced by £21k per acre or £52k per hectare.



## 6. Results of viability analysis

### Introduction

- 6.1 This chapter considers the results of financial appraisals carried out for the identified sites.

### Financial appraisal approach and assumptions

- 6.2 On the basis of the assumptions set out in Chapter 5 we prepared financial appraisals for each of the identified sites using a bespoke spreadsheet-based financial analysis package.
- 6.3 The appraisals use the residual valuation approach – that is, they are designed to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents and an appropriate amount of developer's profit. The payment would represent the sum paid in a single upfront transaction. The resulting valuation is commonly expressed in £s per acre (or hectare). In order for the proposed development to be described as viable it is necessary for this value to exceed the value from a valid alternative use. We have already seen that, for a greenfield site where the only alternative use is likely to be agricultural, this figure may be very modest. However, most of the sites have been previously developed and therefore have a more substantial existing or competing alternative use value.
- 6.4 As outlined in Chapter 3, our appraisals considered three options for the amount and type of affordable housing provision plus a zero affordable option.

### Appraisal results

- 6.5 We produced financial appraisals based on the stated build, abnormal, and infrastructure costs and financial assumptions for the four options (three affordable options, plus all-market).
- 6.6 Detailed appraisal printouts for all the sites are provided as Appendix 6 to this report. To keep to a manageable sized document only one option, that of 30%, has been provided.
- 6.7 The resulting residual land values for the four options are set out in Table 6.1.

Table 6.1 Appraisal results for four affordable options with grant						
No	Site	Residual value £k per acre for affordable option				
		No aff	20%	30%	40%	50%
1	Riverside Pulbora	845	629	521	411	297
2	Parsonage Fm Henfield	817	643	552	462	370
3	Oddstones Pulbora	853	667	582	491	395
4	Horsham FC Horsham	840	677	594	510	422
5	Rascals Cl Southwater	736	596	527	455	378
6	Farthings Horsham	825	656	568	480	391
7	St Leonards School	968	731	608	490	365
8	Trees Billingshurst	1,638	1,325	1,172	1,016	854
9	Trollslund Southwater	716	567	489	412	335
10	Fieldings Southwater	856	676	584	490	401
11	Queen St Horsham	144	-168	-329	-487	-653
12	Milnwood Rd Horsham	1,151	885	758	622	481

Source: Fordham Research 2010

- 6.8 Table 6.1 shows that with no requirement for affordable housing, all of the sites deliver a positive land value. Six of these are broadly in the range £800k-£850k per acre (£1.975m-£2.10m per ha). Two are just a little higher, and two just a little lower, with one (Trees Billingshurst) very much higher, and one (the flatted scheme at Queen St) very much lower.
- 6.9 Allowing for additional development costs and our planning gain assumptions, values on the remaining sites are broadly in line with but mostly below what the available information suggests for 'oven ready' land in Horsham. This confirms that our appraisal assumptions are, taken as a whole, unlikely to be unduly optimistic.
- 6.10 Table 6.1 confirms that, as increasing amounts of affordable housing are introduced, the land value reduces. In each case the impact is progressive, but at a more or less linear rate. At the maximum affordable contribution shown, 50%, all the schemes except Queen St still do deliver a positive land value.
- 6.11 It is clear, however, that land value falls away more quickly for some schemes than for others. It is the most densely developed and/or highest priced sites – St Leonards School, Trees, and Queen St – where affordable housing has the greatest negative impact upon land value.
- 6.12 This is because the land value is the primary source of any developer subsidy. With the high density schemes, land value is a lower proportion of the total value of the development and is therefore used up more quickly.

6.13 In order to draw out the implications of these results for the Council's proposed affordable housing policy, as has already been suggested, it will be necessary to consider values from alternative uses for each. This step follows below.

### Alternative use benchmarks

6.14 The results from Table 6.1 would need to be compared with the alternative use values set out in Table 4.6 in order to form a view about the likely viability of the affordable options for each site.

6.15 However it does not automatically follow that, if the residual value produces a surplus over the alternative use value benchmark, the site is viable. The surplus needs to be sufficiently large to provide an incentive to the landowner to release the site and cover any other appropriate cost required to bring the site forward for development. We therefore have to consider how large such a 'cushion' should be for our sites.

6.16 In practice the size of the element will vary from case to case depending on how many landowners are involved, each landowner's attitude and their degree of involvement in the current property market, the location of the site and so on. A 'cushion' equivalent to, say, £25k per acre might be perfectly sufficient in some cases, whilst in a particular case it might need to be five times that figure, or even more.

6.17 After consideration we took the view that a broad average figure of £100k per acre (£250k per ha) should be used to provide an incentive to the landowner for all of the sites in the study. This figure for the 'cushion' would represent a mark-up of 20% on the industrial benchmark land value of £500k.

6.18 The figures are set out below and combined with the net alternative use values from Table 4.6 to show the resulting benchmark thresholds for viability.

6.19 It must be emphasised that these figures are simply a view of what it is reasonable to assume as a minimum residual value for the purposes of assessing viability. The figures do not represent what a landowner or promoter might actually receive. This will quite often be rather more; at any given affordable target some sites will generate a higher value, and it is not unreasonable to expect at least some of the surplus to benefit the landowner or promoter rather than passing to the developer.

Table 6.2 Viability cushion & threshold values				
Ref	Site	£k per acre		
		Alternative use value	Cushion	Viability threshold value
1	Riverside Pulbore	429	100	529
2	Parsonage Fm Henfield	10	100	110
3	Oddstones Pulbore	92	100	192
4	Horsham FC Horsham	167	100	267
5	Rascals CI Southwater	50	100	150
6	Farthings Horsham	125	100	225
7	St Leonards School	500	100	600
8	Trees Billingshurst	50	100	150
9	Trollslund Southwater	50	100	150
10	Fieldings Southwater	100	100	200
11	Queen St Horsham	455	100	555
12	Milnwood Rd Horsham	775	100	875

Source: Affordable Housing Viability Study 2010

6.20 The viability outcomes resulting from applying these threshold values are shown in the table below.

Table 6.3 Appraisal outcomes: base appraisals, with grant

No	Site	Alt use value	Value £k per acre				
			No affordable	20%	30%	40%	50%
1	Riverside Pulbora	429	845	629	521	411	297
		529	VIABLE	VIABLE	MARGINAL	NOT VIAB	NOT VIAB
2	Parsonage Farm	10	817	643	552	462	370
		110	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
3	Oddstones Pulbora	92	853	667	582	491	395
		192	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
4	Horsham FC	167	840	677	594	510	422
		267	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
5	Rascals Close	50	736	596	527	455	378
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
6	Farthings Horsham	125	825	656	568	480	391
		225	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
7	St Leonards School	500	968	731	608	490	365
		600	VIABLE	VIABLE	VIABLE	NOT VIAB	NOT VIAB
8	Trees Billingshurst	50	1,638	1,325	1,172	1,016	854
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
9	Trollslund S'water	50	716	567	489	412	335
		150	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
10	The Fieldings	100	856	676	584	490	401
		200	VIABLE	VIABLE	VIABLE	VIABLE	VIABLE
11	Queen St Horsham	455	144	-168	-329	-487	-653
		555	NOT VIAB	NOT VIAB	NOT VIAB	NOT VIAB	NOT VIAB
12	Milnwood Rd	775	1,151	885	758	622	481
		875	VIABLE	VIABLE	NOT VIAB	NOT VIAB	NOT VIAB

Source: Affordable Housing Viability Study 2010

### Comparison results

6.21 With zero affordable housing eleven of the twelve sites are viable, and one unviable. Residential development as 100% market housing is, of course, a relatively profitable development option and in stable market conditions the sites should not be proposed for development otherwise. However market conditions are not stable. House prices fell considerably after autumn 2007, and although there has been a partial recovery there is still one site which could not proceed at present - even as 100% market housing.

- 6.22 Turning to the various levels of affordable contribution; at 20% eleven sites are still viable. At 30% one of the sites becomes unviable and a second becomes marginal: nine sites are still viable. Moving to 40% the marginal site becomes unviable and another becomes unviable, leaving eight viable. That remains the situation at 50%.
- 6.23 These results are summarised in tabular form below;

Table 6.4 Viability results summary					
	No of sites in category with affordable at:				
	No aff.	20%	30%	40%	50%
Viable	11	11	9	8	8
Marginal	0	0	1	0	0
Not viable	1	1	2	4	4
Total	12	12	12	12	12

Source: Affordable Housing Viability Study 2010

- 6.24 We will consider the implications of these results for future policy in the final chapter. However before we can do this we should consider how likely future movements or changes in our appraisal assumptions might impact upon them.

### Sensitivity: price and cost levels

- 6.25 Whilst variations in any of the appraisal assumptions will affect the results, the key elements which most dramatically affect the outcome are the price and build cost assumptions. In the present market situation it is future movements in prices which are of greatest interest; what if prices continue to fall as they were doing until recently? What if they recover?
- 6.26 Over the second half of 2009 it was clear that the decline in prices had halted, and indeed prices rose somewhat. However there is not yet a general consensus that the decline in prices is over. The view is that a limited supply of properties onto the market, rather than an increase in demand, has been responsible for the modest general upturn. Although in certain sectors in London the upturn has been quite marked, this is attributed to investment from overseas sources, and some commentators still expect to see a further period of price decline nationally during 2010.
- 6.27 Given the continuing uncertainty we considered two scenarios in order to illustrate the impact of future price and cost changes. The first took a moderately gloomy view assuming that prices would fall another 10% relative to costs, before a clear and permanent recovery begins.

6.28 As an alternative to this we assessed how viability might have looked around the market peak in autumn 2007, essentially reflecting newbuild market prices 18-19% higher than currently, and costs 6-7% lower. The results from this 'market peak' scenario are considered in the next section. The 'short-term fall' scenario results for the 30% affordable option are compared to the base appraisal results in Table 6.5 below:

Table 6.5 Sensitivity test: short-term market fall scenario				
No	Site	Alt use value	Value £k per acre	
			Base option 40& aff	Prices down costs up 40% aff
1	Riverside Pulburo	429	411	216
		529	NOT VIAB	NOT VIAB
2	Parsonage Farm	10	462	321
		110	VIABLE	VIABLE
3	Oddstones Pulburo	92	491	332
		192	VIABLE	VIABLE
4	Horsham FC	167	510	373
		267	VIABLE	VIABLE
5	Rascals Close	50	455	325
		150	VIABLE	VIABLE
6	Farthings Horsham	125	480	344
		225	VIABLE	VIABLE
7	St Leonards School	500	490	304
		600	NOT VIAB	NOT VIAB
8	Trees Billingshurst	50	1,016	771
		150	VIABLE	VIABLE
9	Trollslund S'water	50	412	285
		150	VIABLE	VIABLE
10	The Fieldings	100	490	339
		200	VIABLE	VIABLE
11	Queen St Horsham	455	-487	-732
		555	NOT VIAB	NOT VIAB
12	Milnwood Rd	775	622	416
		875	NOT VIAB	NOT VIAB

Source: Affordable Housing Viability Study 2010

- 6.29 It can be seen that with a further price fall/cost increase, whilst residual land value drops by typically £150-200k per acre no site's viability status actually changes.

**Sensitivity: the market peak**

- 6.30 The above approach, varying the price level, can also be applied in order to assess retrospectively viability at the peak viability level of September 2007. In this case we believe that prices would have been around 19% higher and costs 6% lower than those assumed in the base appraisals (effectively equivalent to a 25% increase in prices).
- 6.31 The approach was applied with target proportions of 40% and 50%, and the results are compared with the 40% 'base' option below.

Table 6.6 Sensitivity test: market peak					
No	Site	Value £k per acre			
		Alt use value	Base option	Prices up costs down	
			40% aff	40% aff	50% aff
1	Riverside Pulburo	429	411	901	706
		529	NOT VIAB	VIABLE	VIABLE
2	Parsonage Farm	10	462	810	660
		110	VIABLE	VIABLE	VIABLE
3	Oddstones Pulburo	92	491	881	721
		192	VIABLE	VIABLE	VIABLE
4	Horsham FC	167	510	859	712
		267	VIABLE	VIABLE	VIABLE
5	Rascals Close	50	455	782	652
		150	VIABLE	VIABLE	VIABLE
6	Farthings Horsham	125	480	832	683
		225	VIABLE	VIABLE	VIABLE
7	St Leonards School	500	490	963	759
		600	NOT VIAB	VIABLE	VIABLE
8	Trees Billingshurst	50	1,016	1,628	1,367
		150	VIABLE	VIABLE	VIABLE
9	Trollslund S'water	50	412	734	601
		150	VIABLE	VIABLE	VIABLE
10	The Fieldings	100	490	896	732
		200	VIABLE	VIABLE	VIABLE
11	Queen St Horsham	455	-487	128	-135
		555	NOT VIAB	NOT VIAB	NOT VIAB
12	Milnwood Rd	775	622	1,134	910
		875	NOT VIAB	VIABLE	VIABLE

Source: Affordable Housing Viability Study 2010

6.32 The results confirm that at the market peak level of prices viability would be improved. There is now only one site, Queen St, which is unviable at 40%, and the situation is unchanged at 50%. In fact, Queen St would become viable at 20%, but would still be unviable with a 30% affordable requirement. So this scheme was certainly a viable proposition at the market peak, and could have provided a (moderate) affordable contribution at that time.

**Sensitivity: zero grant**

- 6.33 The appraisals depend upon the availability of a substantial amount of grant. By the early summer of 2010 it had become clear that almost every area of public expenditure was being reviewed in order to achieve a substantial reduction in the total scale of public sector debt. The outcome of this review may very well be that less, indeed perhaps very much less, grant will be available to support the affordable housing programme in future. It is therefore timely to consider the implications.
- 6.34 Accordingly we produced appraisals for the worst case, in which no grant was available. The results are set out below.

Table 6.7 Appraisal outcomes: base appraisals, zero grant						
		Value £k per acre				
No	Site	Alt use value	No affordable	20%	30%	40%
1	Riverside Pulbore	429	845	454	257	58
		529	VIABLE	MARGINAL	NOT VIAB	NOT VIAB
2	Parsonage Farm	10	817	527	379	231
		110	VIABLE	VIABLE	VIABLE	VIABLE
3	Oddstones Pulbore	92	853	538	378	217
		192	VIABLE	VIABLE	VIABLE	VIABLE
4	Horsham FC	167	840	560	417	273
		267	VIABLE	VIABLE	VIABLE	VIABLE
5	Rascals Close	50	736	477	346	214
		150	VIABLE	VIABLE	VIABLE	VIABLE
6	Farthings Horsham	125	825	536	390	243
		225	VIABLE	VIABLE	VIABLE	VIABLE
7	St Leonards School	500	968	575	378	178
		600	VIABLE	MARGINAL	NOT VIAB	NOT VIAB
8	Trees Billingshurst	50	1,638	1,123	866	608
		150	VIABLE	VIABLE	VIABLE	VIABLE
9	Trollslund S'water	50	716	456	326	196
		150	VIABLE	VIABLE	VIABLE	VIABLE
10	The Fieldings	100	856	536	380	211
		200	VIABLE	VIABLE	VIABLE	VIABLE
11	Queen St Horsham	455	144	-371	-633	-898
		555	NOT VIAB	NOT VIAB	NOT VIAB	NOT VIAB
12	Milnwood Rd	775	1,151	723	503	286
		875	VIABLE	NOT VIAB	NOT VIAB	NOT VIAB

Source: Affordable Housing Viability Study 2010

- 6.35 The results clearly show a reduction in viability, as would be expected with a significant reduction in affordable housing purchase prices.
- 6.36 Even so, the figures suggest that without grant viability would still permit the Horsham sites to produce a substantial amount of affordable housing. In fact the majority of sites are still viable at 40%, although looking more closely at the figures it is clear that a number of sites are only narrowly viable at 40%.
- 6.37 It is likely that grant will be cut significantly, but unlikely that it will vanish entirely. If there were no grant at all, it might be safer to go to a 35% target. Since there is a reasonable prospect of some grant, a target of 40% at zero grant is still a reasonable broad brush outcome.

#### **Sensitivity: tenure split**

- 6.38 The base appraisals were prepared using a 60:40 tenure split for affordable housing. It was agreed that we would consider the impact of changing the tenure split, to an alternative split of 75:25. However as pointed out in Chapter 3 the purchase prices we assumed are (3.13) identical for social rented and intermediate dwellings.
- 6.39 There will therefore be no change to the results we have shown if the tenure split varies.

#### **Sensitivity: CSH Level 4**

- 6.40 We also agreed to look at the impact upon viability of a move to Level 4 of the Code for Sustainable Homes.
- 6.41 The additional cost of moving to Level 4 was established in the previous Chapter (5.8). At the present time it is extremely difficult to justify an offsetting uplift in values arising from a Level 4 property, and neither is there currently any mechanism to secure increased prices for affordable dwellings built to Level 4. This is unfortunate; whilst clearly there will be a reduction in running costs, such properties have to compete in reality with the second hand stock. Accordingly we have left prices unchanged and prepared sensitivity appraisals. The results with target proportions of 30% & 40% are compared to the 40% 'base' option below.

Table 6.8 Sensitivity test: Level 4					
No	Site	Value £k per acre			
		Alt use value	Base option	Level 4	
			40% aff	30% aff	40% aff
1	Riverside Pulburo	429	411	435	326
		529	NOT VIAB	MARGINAL	NOT VIAB
2	Parsonage Farm	10	462	498	409
		110	VIABLE	VIABLE	VIABLE
3	Oddstones Pulburo	92	491	518	427
		192	VIABLE	VIABLE	VIABLE
4	Horsham FC	167	510	539	455
		267	VIABLE	VIABLE	VIABLE
5	Rascals Close	50	455	470	455
		150	VIABLE	VIABLE	VIABLE
6	Farthings Horsham	125	480	513	428
		225	VIABLE	VIABLE	VIABLE
7	St Leonards School	500	490	533	411
		600	NOT VIAB	MARGINAL	NOT VIAB
8	Trees Billingshurst	50	1,016	1,079	926
		150	VIABLE	VIABLE	VIABLE
9	Trollslund S'water	50	412	438	365
		150	VIABLE	VIABLE	VIABLE
10	The Fieldings	100	490	519	436
		200	VIABLE	VIABLE	VIABLE
11	Queen St Horsham	455	-487	-450	-613
		555	NOT VIAB	NOT VIAB	NOT VIAB
12	Milnwood Rd	775	622	678	542
		875	NOT VIAB	NOT VIAB	NOT VIAB

Source: Affordable Housing Viability Study 2010

6.42 The introduction of Level 4 with no price enhancement would clearly reduce scheme viability. However at 40% it does not change the viability status of any of the schemes. Eight remain viable, and so a move to Level 4 would not undermine the achievement of a 40% target.

## 7. Implications of the Stage 1 Results

### Our approach

- 7.1 The purpose of the Viability Study was to assess the impact of alternative affordable housing requirements upon development viability. In order to provide appropriate guidance, we have produced financial appraisals in respect of residential developments on a range of sites selected following discussion. Our approach has involved the use of the actual development proposals for the sites with recent planning permissions and 'model' development for one site for which an application has not yet been submitted. A bespoke financial appraisal package has been used to produce residual valuations for each site under a series of affordable housing options.
- 7.2 In order to prepare financial appraisals, whether for a general study like this or on behalf of a landowner or developer proposing a specific development, it is necessary to make a considerable number of assumptions. We believe that, in general, the assumptions we have made are fair and reasonable. They reflect considerable experience drawn from a variety of development situations and are designed to reflect the circumstances of each site which, even in a relatively compact area like the District, in practice display a certain amount of diversity. The appraisal results would produce open market land values which, compared to the limited information we have about recent values and prices currently sought for small sites in the area, are consistent and if anything somewhat lower. This suggests that the package of development assumptions is not unduly optimistic.
- 7.3 The comparatively low land values emerging also reflect two other factors which we will need to take into account when reflecting on the appraisal results:
- The housing market downturn from the last quarter of 2008 and subsequent more general business recession.
  - The impact of relatively challenging requirements in respect of sustainability:
    - Level 3 of the Sustainability Code for both market and affordable homes, without any offsetting uplift in values
    - A 'Merton rule' requirement for renewable energy

- 7.4 The financial appraisals produce a series of residual values showing the value generated for each site for all market housing, and further tested under a range of affordable housing scenarios. In an exercise of this nature, the figures have to be interpreted in order to draw conclusions for Plan policies. We have suggested a basis for interpretation which draws on indicative alternative use values, and sets a standard 'cushion' over alternative use value to provide an incentive for the landowner to bring the site forward. Again, as a strategic approach, we believe this to be reasonable. Producing detailed assessments and valuations for each site would involve resources well beyond the scope of the current exercise and we suspect would probably still leave room for dispute.
- 7.5 There are some variations in house prices between different parts of the study area. We feel those areas where prices are likely to be lowest are reasonably well represented. The sites covered the 'worst case' by fully including locations in which viability is (other things equal) likely to be the poorest. The range of sites includes both smaller and larger sites, straightforward and complex development situations and a range of previous uses for previously developed land.
- 7.6 The appraisals tested various proportions of affordable housing – combined with a proposed tenure split of 60:40 social rented: intermediate housing, with intermediate housing represented by shared ownership at 25% share. It was decided to assume that grant would normally be available on a substantial scale. In estimating the values which, under those terms, developers would be likely to achieve affordable housing of the above types we have used information on estimated purchase prices drawn from our experience elsewhere.
- 7.7 We have taken a strategic approach ensuring in particular that the sites were treated consistently. This is because the analysis is designed to test and demonstrate District-wide deliverability in line with the requirements in national guidance. This work is a strategic study designed to inform the development of Plan policy, rather than per se, as an exercise to predict as accurately as possible the actual financial outcomes of development on specific sites. The actual sites used in the study should be regarded as indicating more general patterns of development across the study area.

### **Affordable target suggestion**

- 7.8 The results from the appraisals indicate that at current market values and costs it would be possible to sustain a target of 40% affordable housing, with the assumed grant levels, across the study area as a whole. That is the target we were asked to consider in the study brief.
- 7.9 With our base assumptions, one of the 12 sites could not produce 100% market housing and remain viable. Of the remaining eleven, nine sites remain viable at 30% affordable, with one marginal and one viable. Between 30% and 40% the marginal site and one other become unviable, leaving eight viable. We conclude that the 40% target we were asked to test is viable under present market conditions.
- 7.10 Indeed, eight sites remain viable at 50%. It is therefore likely that a 50% target could be considered.

- 7.11 The sensitivity tests we produced show how responsive viability is to changes in present market conditions, i.e. price and cost levels. Were we facing price and cost levels as they might have been in autumn 2007, a higher target, upwards of 50%, could have been proposed and defended (although we have to acknowledge that in practice some alternative use values might then have been a little higher). On the other hand, a short term drop in prices by 10% relative to costs would not jeopardise the validity of a 40% target.
- 7.12 The evidence indicates that 40% would be an entirely reasonable target to put forward in present circumstances. Eight of the eleven sites which are viable with zero affordable, remain so at 40%.
- 7.13 Sensitivity tests suggest that this conclusion remains robust even if prices were to drop 10% relative to costs, or if market and affordable housing were required to be built to CSH Level 4. Sensitivity tests for grant indicate that it might still be possible to produce 40% on a majority of sites although there is a limited safety margin; however a reduced grant allocation could probably be coped with.
- 7.14 We have not at this stage considered the impact of the proposed eventual move to Levels 5 & 6, or indeed of a combination of several of the above, potentially adverse, changes. These would, of course, be offset by the impact of an improvement in the price/cost balance.
- 7.15 The latter is in fact the most significant uncertainty over the course of the LDF plan period. Below (Chapter 8) we consider possible approaches to target setting in response to the likelihood of market changes affecting the balance of price and costs. Before moving on to this, however, we need to consider the size threshold issue.

### **The threshold for affordable housing**

- 7.16 National planning guidance (PPS3) requires some consideration to be given to the threshold at which the affordable housing is to be applied. The study brief recognised this, identifying the need to obtain guidance on the scope for reducing the size threshold from the default position of 15 dwellings and seeking advice in particular on the scope for a reduction, possibly to five dwellings.
- 7.17 The five smallest sites in the study (with 6-14 dwellings) were specifically included in response to this requirement. However as the study proceeded we recognized that the second smallest site, at Queen St, providing eight dwellings on a net developable area of (in our view) about 0.12 ha, might be untypical of the sorts of development a threshold reduction would be aimed at. Such a relatively dense scheme might anyway fall below a site size area equivalent to 5 dwellings – which could possibly be around 0.2 ha. As it has turned out, the appraisal results from this site are indeed out of line with the remaining eleven.
- 7.18 Overall, at current prices and costs, and setting the Queen St site to one side, the small sites do about as well as the seven larger sites in viability terms.

Table 7.1 Viability results by threshold group					
	No of sites viable/marginal/unviable with affordable at:				
	No aff.	20%	30%	40%	50%
Site > 15 dwgs	7-0-0	7-0-0	6-1-1	5-0-2	5-0-2
Queen St	0-0-1	0-0-1	0-0-1	0-0-1	0-0-1
Site < 15 dwgs	4-0-0	4-0-0	3-0-1	3-0-1	3-0-1
Total	11-0-1	11-0-1	9-1-2	8-0-4	8-0-4

- 7.19 It has to be acknowledged that it is the smallest site of six dwellings, Milnwood Rd, which becomes unviable at 30% affordable. However that is also the site with the highest alternative use value; the substantial value of the existing residential property is being carried by only six dwellings. With a use value based on the industrial benchmark, the site would have carried 40%, and with a lower value site such as garden land, it would have comfortably gone through to 50%.
- 7.20 However the Queen St site, the next smallest, also did badly. It is a dense site, 67 dwellings per ha on our view of the developable area, which makes it physically small. If the Council feels that a size area equivalent to 5 dwellings would have excluded Queen St from any affordable requirement, it can be set aside for the purpose of guidance (although the appraisal result has to be borne in mind).
- 7.21 The appraisal results certainly provide strong support for the suggestion in the brief, i.e. a target of 20% on sites between 5-14 dwellings, subject to an appropriate site size area equivalent. Indeed we believe that they would support a slightly more ambitious target. One of the difficulties of any size threshold is the well recognized tendency to encourage schemes which fall just below the ceiling figure. The above scheme is likely to mean that disproportionate numbers of schemes with 13-14 dwellings are produced, just as at present.
- 7.22 A response to the above concerns would be the use of a graduated scale, starting with a requirement for 1 affordable unit at 5 & 6 dwellings, and progressing upwards to reach the main target of 40% at 12 dwellings (giving 5 affordable units).
- 7.23 We suggest for the Council's consideration a scaled contribution scheme producing contributions for sites between 5—11 dwellings as set out in the table below. The main target, envisaged as 40%, would then apply to sites of 12/13 dwellings and above.
- 7.24 It should be emphasised that this scale is designed to secure from small sites, graduated contributions appropriate to a 40% general target. In the next and final Chapter we consider an approach which would allow the target to be reduced if future changes in costs and values reduced viability. If a lower target came into force as a result of such changes, reducing the general target to say 30% for instance, the graduated target would need to be adjusted accordingly. Advice has been provided to the Council in respect of alternative graduated scales.

Table 7.2 Graduated scale for 40% main target		
No of dwgs in scheme	Affordable requirement	
	Dwgs	%
4	0	0%
5	1	20%
6	1	16%
7	2	29%
8	2	25%
9	3	33%
10	3	30%
11	4	36%
12	5	40%

Source: Fordham Research Strategic Housing Viability Study



## 8. Dynamic Viability results

- 8.1 This chapter moves on from the results of the viability analysis, the first stage, to suggest a basis for policy which would help to ensure deliverable affordable housing targets through the plan period.

### What Dynamic Viability does

- 8.2 The Dynamic Viability model is designed to provide robust targets at all phases of the housing market during the plan period. This is taken to mean that the full range of possibilities must be set out to the Core Strategy Examination, so that the mechanism for the level of target setting for the whole plan period can be set out for the Examination to consider.
- 8.3 The model begins with the viability assessment, based on the residual valuations carried out as part of the main Viability Study (covering a dozen or so sites characteristic of the area). In some cases the data may refer to notional sites, agreed to represent the viability situation of the local authority area.

### Benchmark site

- 8.4 The Dynamic Viability approach requires that a single benchmark site, or synthetic site, is identified that currently reflects the affordable target level that is deliverable in that area.
- 8.5 After discussion with the Council it was agreed that the best indicator for typical future sites in the district was:

Site 7: St Leonard's School, Horsham

- 8.6 The site was below viable at the broad brush 40% target, but was 'modelled' so that it exactly was viable at 40%. The use of part modelled part actual sites is justifiable in this context, as what is wanted is a site that represents future development in Horsham, and no actual site may exist that does this so well as a composite 'modelled' site.

### Mechanism of dynamic viability

- 8.7 The model then takes the key factors affecting future viability and builds their future change into the model. Future change in target levels is purely dependent on published indexes. This means that the process of target setting through the plan period is entirely transparent. The model is set up prior to

the Core Strategy Examination, is assessed and approved in whatever form during that Examination, and afterwards is entirely dependent on three published indexes:

- **Price change:** We suggest the Halifax Price Index (HPI) but other bases are available
- **Building costs change:** The RICS building cost index based on tenders (BCIS) provides a general index of building costs
- **Alternative use value:** The appropriate measure would depend on the specific alternative use applying to the benchmark site but usually it is an index published in the Valuation Office Agency's Property Market Report.

8.8 The sources of the indexes are shown below, together with their current (at the date of analysis) values:

Table 8.1 Update indices		
Variable	Proposed index	Starting Value
House Price	Halifax House Price Quarterly Index for the South East <a href="http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp">http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp</a>	Q1 2010 = 561.3
Build cost	BCIS General Building Cost Index <a href="http://www.bcis.co.uk/online">http://www.bcis.co.uk/online</a>	Feb 2010 = 289.8
Alternative use value	The Valuation Office Agency has recently (July 2010) altered its reports, producing annual valuations as at January of each year rather than six monthly ones. The value is taken as Southampton <a href="http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/index.htm">http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/index.htm</a>	January 2010: Value of £1,500,000 per ha

This table is also shown as A5.1 in the appendixes

8.9 The Alternative Use value is industrial. The Valuation Office Agency, source for the index, has just re-organised its way of producing time series data on industrial land values. Instead of producing a regional figure it produces figures for certain key centres. In the case of the South East they are Southampton, Reading, Oxford and the Medway Towns. None of these is a close comparator for Horsham. But that does not matter so long as the trend of future change is similar to that in Horsham. In other words it does not matter if the base value is anything like Horsham's. What matters is that its future change is similar to Horsham's. The most comparable centre for Horsham appears to be Southampton.

8.10 Each of the indexes is taken as a range, to produce a reasonably limited number of tabulations. The set of indices is based on the assumption that price and cost are the key changes that affect the viability of a benchmark site, and that alternative use value must also be considered since an appreciable movement (say £25k per acre/£60k per ha or more) could on its own move a site into or out of viability.

## Details of the outputs

8.11 The model generates the full plausible range of target variations based on the above three indexes. The following tables provide the 'base' alternative use value. The full set of Dynamic Viability tables is presented in Appendix 5.

8.12 As will be noticed, the table below focuses upon a 40% target which was established as being deliverable in the Stage 1 viability analysis. The 40% figure is therefore the zero/zero point when looking at the percentage version of the indexes.

**Figure 8.1 Base Alternative Use Value: 0% Change - £500,000 Per Acre**

		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	40%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	15%	40%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	20%	40%	50%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	5%	25%	35%	45%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	10%	25%	35%	45%	50%	55%
	30%	<b>376.7</b>	0%	0%	0%	15%	30%	35%	45%	50%
	40%	<b>405.7</b>	0%	0%	0%	5%	20%	30%	35%	45%
	50%	<b>434.7</b>	0%	0%	0%	0%	10%	20%	30%	35%

Note that the figure shows proposed % target for each cost/price combination, with 0% change in alternative use value. The table also provides, inside the percentages, the actual values of the indexes, so that they can be read off in future

Source: Horsham Viability Study

8.13 In effect, once the Core Strategy Examination has approved whatever the starting target is, the rest follows automatically from the index changes. There is one further point, which is that since the array of possible index changes is extremely large, when viewed as possibilities over a decade or two, the work is done in two stages:

- *Coarse Matrix*: This is calculated in 10% intervals of the indexes (all 3). The result provides broad coverage, but the change from one cell to another can produce large changes in targets: e.g. from 20% to 35%. But this stage provides wide coverage.
- *Fine Matrix*: This takes the area around the chosen target and uses 4% intervals in the indexes (the intervals can be varied). This produces results for the area around the chosen target that yield much smaller target changes: mostly 5% intervals and sometimes 10%.

8.14 Figure 8.2 shows the *Fine Matrix* outputs that relate to the Figure 8.1 Coarse Matrix. Again the full set of tables will be found in Appendix 5. As will be seen from Figure 8.2, the intervals in the targets

around the base case of 40% are smaller than in Figure 8.1. They permit more sensitive adjustments of the target as the index numbers change in future.

**Figure 8.2 Base Alternative Use Value: 0% Change - £500,000 Per Acre**

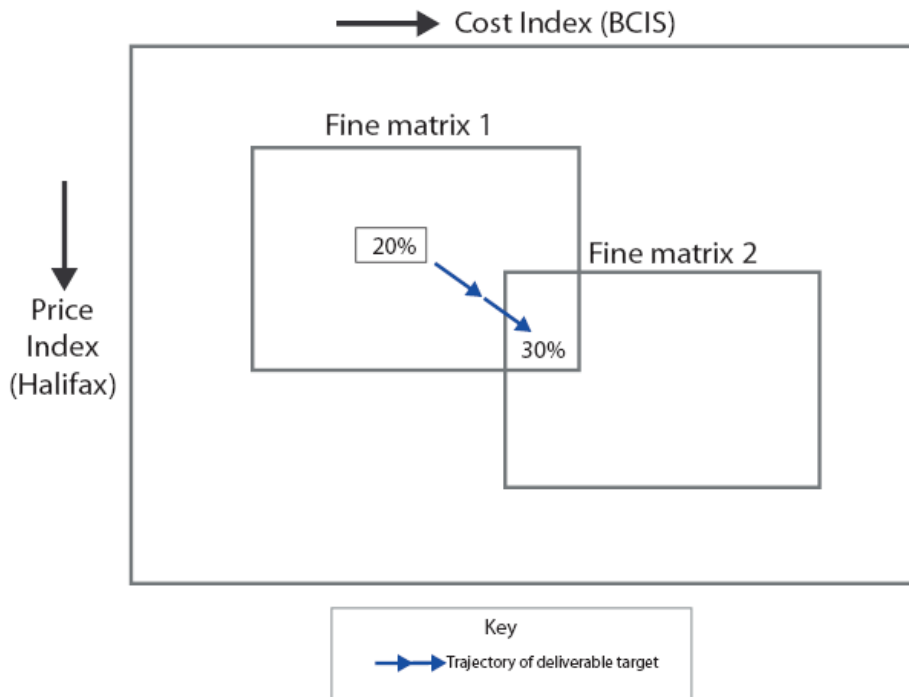
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
Cost Change BC/S Index	-8%	<b>266.6</b>	40%	45%	50%	50%	55%	55%	55%	55%
	-4%	<b>278.2</b>	30%	40%	45%	45%	50%	55%	55%	55%
	0%	<b>289.8</b>	25%	30%	40%	40%	45%	50%	55%	55%
	4%	<b>301.4</b>	20%	25%	30%	40%	40%	45%	50%	50%
	8%	<b>313.0</b>	10%	20%	25%	35%	35%	40%	45%	50%
	12%	<b>324.6</b>	5%	15%	20%	30%	35%	35%	40%	45%
	16%	<b>336.2</b>	0%	10%	15%	25%	30%	35%	35%	40%
	20%	<b>347.8</b>	0%	5%	10%	20%	25%	30%	35%	35%

Source: Fordham Research 2010: Affordable Housing Viability Study 2009

- 8.15 The trajectory shown in *Fine Matrix 1* is from the initial deliverable target of 20%, through various changes in cost and price to a position of a 40% deliverable target in some years time. At that point the trajectory has reached the edge of *Fine Matrix 1*. It is relatively simple then to reset the index base to produce *Fine Matrix 2*, which includes the 40% and allows for further movement to the right. If the trajectory were in any direction that took it outside *Fine Matrix 1*, then *Fine Matrix 2* could be adjusted to include it, and show the onward trajectory, whatever that might be.
- 8.16 In order to see how the *Fine Matrix* relates to the *Coarse*, it is easiest to examine the indexes as percentages (see the outside rows and columns). It will be noticed that the *Fine Matrix* runs from about -8% to +20 to 24% of the initial value of the matrices. The *Coarse Matrix* runs from about -20% to +5 to 60% of the value of the indices. The *Fine Matrix* (outlined in Figure 8.2) covers around a fifth of the total area of the *Coarse Matrix*.
- 8.17 The practical point of the *Fine Matrix* can be seen in the much smaller intervals between the targets. In the *Coarse Matrix* outputs the intervals may be 10-15% between adjacent cells. But in the *Fine Matrix* the intervals are usually only 5%. Clearly the coverage and fineness of the *Fine Matrix* can be altered by varying the size of the steps, which is 4% of each index in the example. Hence the level of 'close-up' can be varied prior to the Core Strategy Inspector's decision.
- 8.18 It is important to emphasise that these *Fine Matrices* are like a 'close up' mechanism. The figures are all available from the initial *Coarse Matrix* and require no further policy or other judgements: they are automatically derived from the indexes. The only issue is the fineness of the intervals and the

production of a manageable size of tabulation. The tabulation, of course, has to be accessible to a wide range of stakeholders and so must not be too daunting.

**Figure 8.3 Coarse and Fine Matrices related**



Source: Fordham Research Strategic Housing Viability Study

8.19 To provide further assistance in visualising how this system works, the following figure provides a mini-manual:

### Figure: 8.4 Updating procedure

#### Step 1

The starting point is the Alternative Use Value seen through the Coarse Matrix. Does the current value of the Alternative Use Index mean that another page rather than the base page should be used? If so this is the reference for the further steps.

#### Step 2

Using the appropriate Alternative Use value page from the Coarse Matrix set, examine the HPI and BCIS to locate the approximate target. Now move to the equivalent page of the Fine Matrix and identify the exact target which the two indexes imply.

#### Step 3

In looking at changes in the indexes it is important to 'average down'. If the movements of price and cost reach say 3.2% of the 5% gap to the next upward point in the matrix, the index would be raised. If the change is below 2.5% no change would arise.

#### Step 4

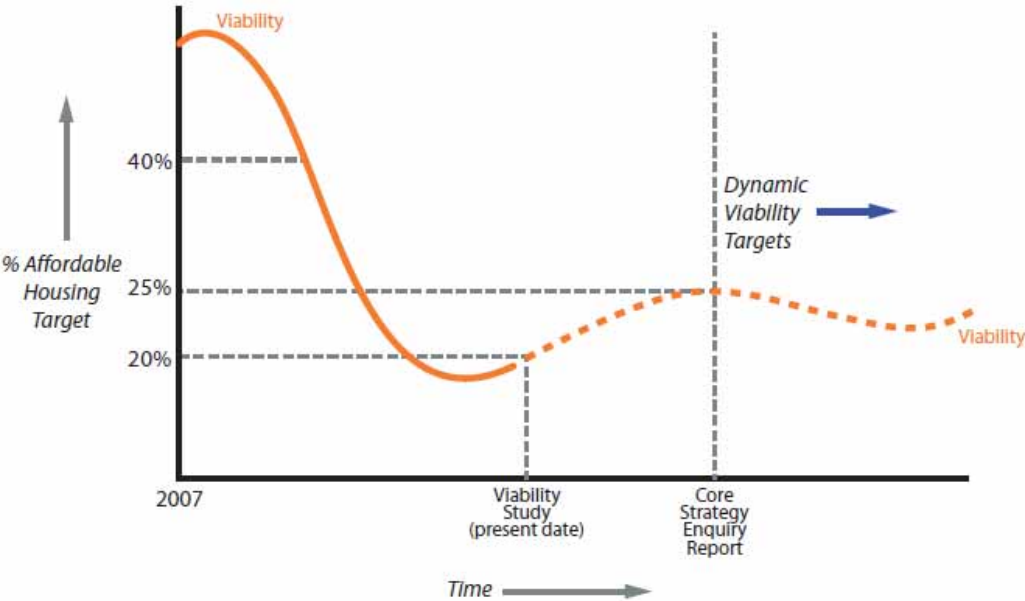
The target level indicated by this sequence of steps is then installed in the Annual Monitoring Report and is the target for the next year. Any related targets (e.g. for sites below 15 dwellings, or for greenfield sites) should be adjusted by the same arithmetic amount as the main target, up or down.

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### Implementing Dynamic Viability

- 8.20 The Viability study which is the input into Dynamic Viability is likely to be done as part of the preparation of the Core Strategy Affordable Housing Policy. There will then be a delay of months or years until the actual Examination. During that period there may well be changes in the market. When the Examination nears it is therefore wise to inspect the three indexes and publish any change in the target in good time beforehand so that the Examination is working with a currently relevant target.
- 8.21 Since the automatic target varying procedure cannot begin until approved by the Inspector's Report, it is desirable to have it as up to date as possible. Figure 8.5 indicates this process schematically.

Figure 8.5 Implementing Dynamic Viability

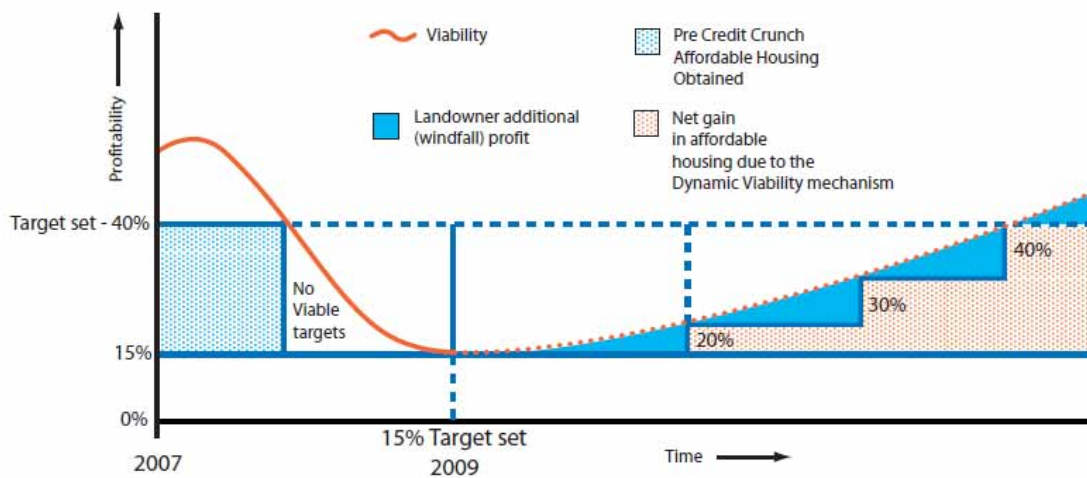


8.22 The diagram illustrates the possible change in viability between study and Core Strategy Examination, After that, of course, the Dynamic Viability matrix will take account of future variations in viability. As the diagram suggests, these could be downward as well as upward. The future course of the market is uncertain.

**Conclusion**

8.23 The main point is that the Dynamic Viability matrices will ensure that all future changes in the housing market are tracked by deliverable affordable housing targets.

**Figure 8.6 Gain of Affordable Housing from Dynamic Viability**



Source: Fordham Research 2010: Affordable Housing Viability Study 2010

- 8.24 This figure also shows that the landowners/developers will gain from any uplift in the market (again, the 40% pre-credit crunch target shown is general and not specific to Horsham). The basic viability assessment assures the landowner and the developer of a reasonable return. When the market goes up, the private sector will gain a windfall profit (shown by the blue areas under the viability curve) and the public interest will gain affordable housing as the targets are periodically altered.
- 8.25 The Dynamic Viability procedure ensures that the maximum of deliverable affordable housing is achieved.

# Appendices



# Appendix 1 Newbuild schemes

A1.1 The schedule below provides details of a number of current newbuild developments and other comparable housing in the District.

**Table A1.1 Newbuild schemes**

<i>Site</i>	<i>Builder</i>			
Oxford Mews Oxford Road Horsham	Croudace	20	1 & 2 bed flats 4 & 5 bed houses	£379k-£649k
The Paddocks Farthings Horsham	Berkeley Homes	13	3 4 & 5 bed houses	n/a
Keller Court Elm Grove Horsham	Havensilver	12	2 bed flats 4 bed houses	£189k-£335k
Arun Gardens	Bakersgate	11	1 bed flats plus 3 houses	£145k-£160k
The Woodlands Queensway Horsham	Persimmon	48	2 3 4 & 5 bed houses	£439k
Martlet Court Rudgwick	n/a	n/a	2 bed apartments	£199k
Sandpiper Place Stane St Pulborough	Bellway			
London Rd Pulborough	Bloor		1 & 2 bed flats 2 3 & 4 bed houses	£135k-£299k
Summers Place Stane St Billingshurst	Berkeley Homes	23 + 11	2 bed apartments 3 & 4 bed town houses	£345k-£695k
Hillview Court High St Billingshurst	Taylor Wimpey	n/a	2 & 3 bed houses	£229k-£275k
Pulborough Rd Storrington	Swanmore Homes	5	3 bed houses	£295k
Partridge Green	Whiteoak	n/a	2 3 & 4 bed	£270k-£300k



# Appendix 2 House price variations

- A2.1 The indices in the table which follows compare prices in each postcode sector in the study area with an England and Wales 'average' figure – actually the median postcode value.
- A2.2 The indices are standardised, to eliminate the effect of variations in type mix; separate indices for each house type are combined with weightings based on the mix of overall sales.

Table A2.1 Price variations by postcode sector					
Postcode sector	Areas covered in sector	Q2 09	Q4 08	Q2 08	Ave
RH11 0	Ifieldwood	121.8%	116%	126%	121%
RH12 4	Rusper, Lambs Green, Lt Haven, Roffey	130.8%	140%	127%	133%
RH12 5	Horsham N	125.1%	137%	142%	135%
RH13 9	Southwater	136.2%	133%	139%	136%
BN44 3	Steyning, Bramber, Upper Beeding	144.6%	141%	127%	137%
RH12 1	Horsham SW	137.2%	153%	132%	141%
RH12 2	Horsham NW	142.4%	148%	133%	141%
RH13 6	Mannings Heath, Lower Beeding	153.5%	145%	129%	143%
RH20 3	Ashington, Storrington E	150.1%	134%	144%	143%
RH13 5	Horsham SE	150.7%	139%	139%	143%
RH20 4	Storrington W & C	146.7%	133%	149%	143%
RH13 8	Cowfold, Coolham	175.6%	139%	147%	154%
RH14 9	Billingshurst, Five Oaks	161.7%	185%	127%	158%
RH20 1	Pulborough W, Coldwatham	134.1%	168%	177%	160%
BN5 9	Henfield, Small Dole	172.2%	154%	165%	164%
RH20 2	Pulborough E, West Chiltington	153.7%	165%	184%	167%
RH12 3	Broadbridge Heath, Rudgwick	185.6%	155%	170%	170%
BN18 9	Amberley, North Stoke [+ Arundel]	158.0%	216%	192%	189%
RH13 0	Slinfold, Barns Green	336.2%	207%	285%	276%

Source: Analysis of Land Registry data

## Notes

1. Where a postcode sector includes areas inside and outside the District, the areas outside are shown in brackets

2. Data has been mix adjusted to remove differences in house type mix between postcode sectors; individual indices have been calculated for each house type, and combined using weights reflecting the nation-wide type mix. A worked example is provided below.

Table A2.2 Worked example for RH12 4 at Q4 2009					
	Land Registry data Q4 2009				
	Detached	Semi	Terraced	Flat	Total
England & Wales - median price	£269,958	£170,072	£148,462	£142,624	
England & Wales - no of sales	45,878	56,145	54,995	33,717	190,735
RH12 4 – ave price	£404,772	£233,312	£190,208	£140,166	
RH12 4 price as % E & W median value	149.9%	137.2%	128.1%	98.3%	
Weighted average index for RH12 4 =	$\frac{[(45878 \times 149.9\%) + (56145 \times 137.2\%) + (54995 \times 128.1\%) + (33717 \times 98.3\%)]}{190,735}$ <p style="text-align: center;">= 130.8%</p>				

Source: Analysis of Land Registry data

## Appendix 3 Small plots for sale

Table A3.1 Asking prices for building sites/plots: values					
Location	No dwgs	Site area acres (ha)	Asking price £K	Land value £m	
				per acre	per ha
Worthing Rd Southwater	3	0.35 ha	£425k	£491k	£1.21m
Broadbridge Heath	1	0.23 ha	£80k	£866k	£2.14m

Source: Internet listings March 2009



# Appendix 4 Construction cost calculation

- A4.1 The table below shows stage by stage how unit construction cost is calculated consistent with the explanation in Chapter 5.
- A4.2 The starting point is the Fordham database as indexed to March 2010 using BCIS General Cost Index value of 289.8 for March 2010.

Table A4.1 Example of construction cost calculation – site 6			
	Adjustment	Build cost £ per	
		sq ft	sq m
Base cost England & Wales at Mar 2010 for scheme of 0% 2 storey flats, 0% 3 storey flats, 53% 2 storey house, 47% 3 storey house	Base cost	83.71	900.7
Rebase to Horsham	+10.0%	92.08	990.8
Level 3 & 10% non renewable	+£6 per sq ft/ £64.5 per sq m	98.08	1,055.3
Higher spec	+2.5%	100.53	1,081.7
Small site loading	+0.0%	100.53	1,081.7
Rounded figure	round to £0.50 per sq ft, £5.0 per sq m	100.50	1,080

Source: Fordham Research data & BCIS indices



# Appendix 5 Benchmark appraisals for Dynamic Viability

- A5.1 It is proposed that the benchmark site appraisal should be based upon an amended version of Site 7, St Leonards School Horsham. The (minimal) amendment is necessary to ensure it is just viable at the proposed target level of 40%.
- A5.2 The alternative use value for Site 7 is industrial/warehousing land. The periodic review would be initiated by a specifically constituted forum including stakeholders. It would involve establishing current values of the indices in the table in Chapter 8. The sources of the indexes are shown below, together with their current (at the date of analysis) values:

Table A5.1 Update indices		
Variable	Proposed index	Starting Value
House Price	Halifax House Price Quarterly Index for the South East <a href="http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp">http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp</a>	Q1 2010 = 561.3
Build cost	BCIS General Building Cost Index <a href="http://www.bcis.co.uk/online">http://www.bcis.co.uk/online</a>	Feb 2010 = 289.8
Alternative use value	The Valuation Office Agency has recently (July 2010) altered its reports, producing annual valuations as at January of each year rather than six monthly ones. The value is taken as Southampton <a href="http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/index.htm">http://www.voa.gov.uk/publications/property_market_report/pmr-jan-2010/index.htm</a>	January 2010: Value of £1,500,000 per ha

Source: Fordham Research 2010. This table also appears as Table 8.1

- A5.3 Each of the indexes is taken as a range, to produce a reasonably limited number of tabulations. The set of indices is based on the assumption that price and cost are the key changes that affect the viability of a benchmark site, and that alternative use value must be checked in case it has risen above newbuild housing value and thus limits the target in itself.
- A5.4 The results from the sequence of appraisals are set out in the following table(s).
- A5.5 After values of indices for price/cost/alternative use value have been determined, these would be rounded to 2% intervals (price/cost) and 10% intervals (alternative use value). The tables show what revised percentage target would apply to the particular price/cost/alternative use value combination.

- A5.6 The following are two sets of 8 tabulations of the Coarse and Fine Matrices described in Chapter 8. They provide for the full range of possible targets and also the Alternative Use value check in 8 bands of alternative use value indexes.

# Horsham Benchmark Site Appraisal

## Coarse Matrix

Table C1 Base Alternative Use Value: 0% Change - £500,000 Per Acre

		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	40%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	15%	40%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	20%	40%	50%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	5%	25%	35%	45%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	10%	25%	35%	45%	50%	55%
	30%	<b>376.7</b>	0%	0%	0%	15%	30%	35%	45%	50%
	40%	<b>405.7</b>	0%	0%	0%	5%	20%	30%	35%	45%
	50%	<b>434.7</b>	0%	0%	0%	0%	10%	20%	30%	35%

Table C1 Base Alternative Use Value: 0% Change - £500,000 Per Acre

		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	40%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	15%	40%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	20%	40%	50%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	5%	25%	35%	45%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	10%	25%	35%	45%	50%	55%
	30%	<b>376.7</b>	0%	0%	0%	15%	30%	35%	45%	50%
	40%	<b>405.7</b>	0%	0%	0%	5%	20%	30%	35%	45%
	50%	<b>434.7</b>	0%	0%	0%	0%	10%	20%	30%	35%

Table C2 Alternative Use Value: - 60% Change - £200,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	55%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	45%	55%	55%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	20%	45%	55%	55%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	25%	40%	50%	55%	55%	55%	55%
	20%	<b>347.8</b>	0%	10%	30%	40%	50%	55%	55%	55%
	30%	<b>376.7</b>	0%	0%	15%	30%	40%	45%	55%	55%
	40%	<b>405.7</b>	0%	0%	0%	20%	30%	40%	45%	55%
	50%	<b>434.7</b>	0%	0%	0%	10%	20%	30%	40%	45%

Table C3 Alternative Use Value: - 40% Change - £300,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	55%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	35%	55%	55%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	10%	35%	50%	55%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	20%	35%	45%	55%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	25%	35%	45%	50%	55%	55%
	30%	<b>376.7</b>	0%	0%	10%	25%	35%	45%	50%	55%
	40%	<b>405.7</b>	0%	0%	0%	15%	25%	35%	45%	50%
	50%	<b>434.7</b>	0%	0%	0%	5%	20%	30%	35%	40%

Table C4 Alternative Use Value: - 20% Change - £400,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
Cost Change BCIS Index	-20%	<b>231.8</b>	50%	55%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	25%	45%	55%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	30%	45%	55%	55%	55%	55%	55%
	10%	<b>318.8</b>	0%	10%	30%	40%	50%	55%	55%	55%
	20%	<b>347.8</b>	0%	0%	15%	30%	40%	50%	55%	55%
	30%	<b>376.7</b>	0%	0%	5%	20%	30%	40%	45%	50%
	40%	<b>405.7</b>	0%	0%	0%	10%	25%	35%	40%	45%
	50%	<b>434.7</b>	0%	0%	0%	0%	15%	25%	35%	40%

Table C5 Alternative Use Value: + 20% Change - £600,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
Cost Change BCIS Index		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
	-20%	<b>231.8</b>	30%	45%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	5%	30%	45%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	15%	30%	45%	50%	55%	55%	55%
	10%	<b>318.8</b>	0%	0%	20%	35%	40%	50%	55%	55%
	20%	<b>347.8</b>	0%	0%	5%	20%	35%	40%	50%	55%
	30%	<b>376.7</b>	0%	0%	0%	10%	25%	35%	40%	45%
	40%	<b>405.7</b>	0%	0%	0%	0%	15%	25%	35%	40%
	50%	<b>434.7</b>	0%	0%	0%	0%	5%	20%	25%	35%

Table C6 Alternative Use Value: + 40% Change - £700,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
Cost Change BCIS Index		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
	-20%	<b>231.8</b>	20%	40%	55%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	0%	25%	40%	50%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	5%	25%	40%	50%	55%	55%	55%
	10%	<b>318.8</b>	0%	0%	15%	30%	40%	45%	50%	55%
	20%	<b>347.8</b>	0%	0%	0%	15%	30%	40%	45%	50%
	30%	<b>376.7</b>	0%	0%	0%	5%	20%	30%	40%	45%
	40%	<b>405.7</b>	0%	0%	0%	0%	10%	20%	30%	40%
	50%	<b>434.7</b>	0%	0%	0%	0%	0%	15%	25%	30%

Table C7 Alternative Use Value: + 60% Change - £800,000 Per Acre										
		Price Change HPI								
%		-20%	-10%	0%	10%	20%	30%	40%	50%	60%
Cost Change BCIS Index		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
	-20%	<b>231.8</b>	10%	35%	45%	55%	55%	55%	55%	55%
	-10%	<b>260.8</b>	0%	15%	35%	45%	55%	55%	55%	55%
	0%	<b>289.8</b>	0%	0%	20%	35%	45%	50%	55%	55%
	10%	<b>318.8</b>	0%	0%	5%	25%	35%	45%	50%	55%
	20%	<b>347.8</b>	0%	0%	0%	15%	25%	35%	40%	50%
	30%	<b>376.7</b>	0%	0%	0%	0%	15%	25%	35%	40%
	40%	<b>405.7</b>	0%	0%	0%	0%	5%	20%	30%	35%
	50%	<b>434.7</b>	0%	0%	0%	0%	0%	10%	20%	30%

**Table C8 Alternative Use Value: + 80% Change - £900,000 Per Acre**

		<i>Price Change HPI</i>								
<i>%</i>		<i>-20%</i>	<i>-10%</i>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>30%</i>	<i>40%</i>	<i>50%</i>	<i>60%</i>
		<b>449.0</b>	<b>505.2</b>	<b>561.3</b>	<b>617.4</b>	<b>673.6</b>	<b>729.7</b>	<b>785.8</b>	<b>842.0</b>	<b>898.1</b>
<i>Cost Change BC/S Index</i>	<i>-20%</i>	<b>231.8</b>	0%	25%	40%	50%	55%	55%	55%	55%
	<i>-10%</i>	<b>260.8</b>	0%	10%	30%	40%	50%	55%	55%	55%
	<i>0%</i>	<b>289.8</b>	0%	0%	15%	30%	40%	45%	55%	55%
	<i>10%</i>	<b>318.8</b>	0%	0%	0%	20%	30%	40%	45%	50%
	<i>20%</i>	<b>347.8</b>	0%	0%	0%	10%	20%	30%	40%	45%
	<i>30%</i>	<b>376.7</b>	0%	0%	0%	0%	10%	25%	30%	40%
	<i>40%</i>	<b>405.7</b>	0%	0%	0%	0%	5%	15%	25%	30%
	<i>50%</i>	<b>434.7</b>	0%	0%	0%	0%	0%	5%	20%	25%

# Horsham Benchmark Site Appraisal

## Fine Matrix

Table F1 Base Alternative Use Value: 0% Change - £500,000 Per Acre										
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
Cost Change BC/S Index		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
	-8%	<b>266.6</b>	40%	45%	50%	50%	55%	55%	55%	55%
	-4%	<b>278.2</b>	30%	40%	45%	45%	50%	55%	55%	55%
	0%	<b>289.8</b>	25%	30%	40%	40%	45%	50%	55%	55%
	4%	<b>301.4</b>	20%	25%	30%	40%	40%	45%	50%	55%
	8%	<b>313.0</b>	10%	20%	25%	35%	35%	40%	45%	50%
	12%	<b>324.6</b>	5%	15%	20%	30%	35%	35%	40%	45%
	16%	<b>336.2</b>	0%	10%	15%	25%	30%	35%	35%	40%
	20%	<b>347.8</b>	0%	5%	10%	20%	25%	30%	35%	35%

Table F1 Base Alternative Use Value: 0% Change - £500,000 Per Acre										
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
Cost Change BC/S Index		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
	-8%	<b>266.6</b>	40%	45%	50%	50%	55%	55%	55%	55%
	-4%	<b>278.2</b>	30%	40%	45%	45%	50%	55%	55%	55%
	0%	<b>289.8</b>	25%	30%	40%	40%	45%	50%	55%	55%
	4%	<b>301.4</b>	20%	25%	30%	40%	40%	45%	50%	55%
	8%	<b>313.0</b>	10%	20%	25%	35%	35%	40%	45%	50%
	12%	<b>324.6</b>	5%	15%	20%	30%	35%	35%	40%	45%
	16%	<b>336.2</b>	0%	10%	15%	25%	30%	35%	35%	40%
	20%	<b>347.8</b>	0%	5%	10%	20%	25%	30%	35%	35%

Table F2 Alternative Use Value: - 30% Change - £350,000 Per Acre										
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		516.4	538.8	561.3	583.8	606.2	628.7	651.1	673.6	696.0
Cost Change BCIS Index	-8%	<b>266.6</b>	50%	55%	55%	55%	55%	55%	55%	55%
	-4%	<b>278.2</b>	40%	45%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	35%	40%	45%	50%	55%	55%	55%	55%
	4%	<b>301.4</b>	30%	35%	40%	45%	50%	55%	55%	55%
	8%	<b>313.0</b>	25%	30%	35%	40%	45%	50%	55%	55%
	12%	<b>324.6</b>	15%	25%	30%	35%	40%	45%	45%	50%
	16%	<b>336.2</b>	10%	20%	25%	30%	35%	40%	45%	50%
	20%	<b>347.8</b>	5%	10%	20%	25%	30%	35%	40%	45%

Table F3 Alternative Use Value: - 20% Change - £400,000 Per Acre										
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		516.4	538.8	561.3	583.8	606.2	628.7	651.1	673.6	696.0
Cost Change BCIS Index	-8%	<b>266.6</b>	45%	50%	55%	55%	55%	55%	55%	55%
	-4%	<b>278.2</b>	40%	45%	50%	55%	55%	55%	55%	55%
	0%	<b>289.8</b>	30%	40%	45%	45%	50%	55%	55%	55%
	4%	<b>301.4</b>	25%	30%	40%	45%	45%	50%	55%	55%
	8%	<b>313.0</b>	20%	25%	35%	40%	40%	45%	50%	50%
	12%	<b>324.6</b>	15%	20%	30%	35%	40%	40%	45%	50%
	16%	<b>336.2</b>	5%	15%	20%	30%	35%	40%	40%	45%
	20%	<b>347.8</b>	0%	10%	15%	25%	30%	35%	40%	40%

Table F4 Alternative Use Value: - 10% Change - £450,000 Per Acre										
		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		516.4	538.8	561.3	583.8	606.2	628.7	651.1	673.6	696.0
Cost Change BCIS Index	-8%	<b>266.6</b>	40%	45%	50%	55%	55%	55%	55%	55%
	-4%	<b>278.2</b>	35%	40%	45%	50%	55%	55%	55%	55%
	0%	<b>289.8</b>	30%	35%	40%	45%	50%	50%	55%	55%
	4%	<b>301.4</b>	20%	30%	35%	40%	45%	50%	50%	55%
	8%	<b>313.0</b>	15%	25%	30%	35%	40%	45%	45%	50%
	12%	<b>324.6</b>	10%	20%	25%	30%	35%	40%	45%	45%
	16%	<b>336.2</b>	5%	10%	20%	25%	30%	35%	40%	45%
	20%	<b>347.8</b>	0%	5%	15%	20%	25%	30%	35%	40%

Table F5 Alternative Use Value: + 10% Change - £550,000 Per Acre

		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
Cost Change BCIS Index	-8%	<b>266.6</b>	35%	40%	45%	50%	55%	55%	55%	55%
	-4%	<b>278.2</b>	30%	35%	40%	45%	50%	50%	55%	55%
	0%	<b>289.8</b>	20%	30%	35%	40%	45%	50%	50%	55%
	4%	<b>301.4</b>	15%	25%	30%	35%	40%	45%	45%	50%
	8%	<b>313.0</b>	10%	15%	25%	30%	35%	40%	45%	45%
	12%	<b>324.6</b>	0%	10%	20%	25%	30%	35%	40%	45%
	16%	<b>336.2</b>	0%	5%	15%	20%	25%	30%	35%	40%
	20%	<b>347.8</b>	0%	0%	10%	15%	20%	25%	30%	35%

Table F6 Alternative Use Value: + 20% Change - £600,000 Per Acre

		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
Cost Change BCIS Index	-8%	<b>266.6</b>	30%	35%	40%	45%	50%	55%	55%	55%
	-4%	<b>278.2</b>	25%	30%	35%	40%	45%	50%	55%	55%
	0%	<b>289.8</b>	20%	25%	30%	35%	40%	45%	50%	55%
	4%	<b>301.4</b>	10%	20%	25%	30%	35%	40%	45%	50%
	8%	<b>313.0</b>	5%	15%	20%	30%	35%	35%	40%	45%
	12%	<b>324.6</b>	0%	10%	15%	25%	30%	35%	35%	40%
	16%	<b>336.2</b>	0%	5%	10%	20%	25%	30%	35%	35%
	20%	<b>347.8</b>	0%	0%	5%	15%	20%	25%	30%	35%

Table F7 Alternative Use Value: + 30% Change - £650,000 Per Acre

		Price Change HPI								
%		-8%	-4%	0%	4%	8%	12%	16%	20%	24%
		<b>516.4</b>	<b>538.8</b>	<b>561.3</b>	<b>583.8</b>	<b>606.2</b>	<b>628.7</b>	<b>651.1</b>	<b>673.6</b>	<b>696.0</b>
Cost Change BCIS Index	-8%	<b>266.6</b>	30%	35%	40%	45%	50%	50%	55%	55%
	-4%	<b>278.2</b>	20%	30%	35%	40%	45%	45%	50%	55%
	0%	<b>289.8</b>	15%	25%	30%	35%	40%	45%	45%	50%
	4%	<b>301.4</b>	10%	15%	25%	30%	35%	40%	45%	45%
	8%	<b>313.0</b>	0%	10%	20%	25%	30%	35%	40%	40%
	12%	<b>324.6</b>	0%	5%	15%	20%	25%	30%	35%	40%
	16%	<b>336.2</b>	0%	0%	10%	15%	20%	25%	30%	35%
	20%	<b>347.8</b>	0%	0%	5%	10%	15%	20%	25%	30%

Table F8 Alternative Use Value: + 40% Change - £700,000 Per Acre											
		Price Change HPI									
		-8%	-4%	0%	4%	8%	12%	16%	20%	24%	
		516.4	538.8	561.3	583.8	606.2	628.7	651.1	673.6	696.0	
Cost Change BCIS Index	-8%	266.6	25%	30%	35%	40%	45%	50%	50%	55%	55%
	-4%	278.2	20%	25%	30%	35%	40%	45%	50%	50%	55%
	0%	289.8	10%	20%	25%	30%	35%	40%	45%	50%	50%
	4%	301.4	5%	15%	20%	25%	30%	35%	40%	45%	45%
	8%	313.0	0%	10%	15%	20%	30%	35%	35%	40%	45%
	12%	324.6	0%	0%	10%	15%	25%	30%	35%	35%	40%
	16%	336.2	0%	0%	5%	15%	20%	25%	30%	35%	35%
	20%	347.8	0%	0%	0%	10%	15%	20%	25%	30%	35%

## Appendix 6 Financial appraisal summaries

- A6.1 The development viability **summaries** contained in the following pages set out the assumptions and outputs of the viability appraisals for a 40% affordable scenario.
- A6.2 PLEASE NOTE THAT at Draft Report stage only one sample site printout has been included in order to keep to a manageably sized document. The complete set will of course be provided in the final document.



## **SITE 1: Riverside Concrete Pulborough**









## **SITE 2: Parsonage Farm Henfield**









## **SITE 3: Oddstones Pulborough**



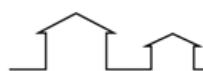




**SITE 3 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	1,650	1,815	1,815	1,815	1,815	1,815	1,815	1,815	0	0	14,358
Market housing		0	0	0	0	0	0	512	563	563	563	563	563	563	563	0	0	4,451
Affordable soc rent		0	0	0	0	0	0	128	141	141	141	141	141	141	141	0	0	1,113
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-62	-68	-68	-68	-68	-68	-68	-68	0	0	-541
<b>Total income</b>																		
		0	0	0	0	0	0	2,290	2,519	2,519	2,519	2,519	2,519	2,519	2,519	0	0	19,922
<b>COSTS</b>																		
Land		2,910																2,910
Land acquisition		116																116
Stamp duty		80																80
Purchase fees																		3,106
<b>Total</b>																		5,372
Build costs		0	0	0	0	617	679	679	679	679	679	679	679	679	679	0	0	2,865
Market housing		0	0	0	0	329	362	362	362	362	362	362	362	362	362	0	0	716
Affordable soc rent		0	0	0	0	82	91	91	91	91	91	91	91	91	91	0	0	0
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	2.5%	0	0	0	0	26	28	28	28	28	28	28	28	28	28	0	0	224
<b>Total</b>		155	155	155	155	78	78	78	78	78	78	78	78	78	78	0	0	9,177
Dev costs		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	619
Upfront	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	619
Build related	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	15
Abnormals	0%	7	7	7	7	0	0	0	0	0	0	0	0	0	0	0	0	1,254
<b>Total</b>		13	13	13	13	105	116	116	116	116	116	116	116	116	116	0	0	918
Fees on build costs	10.0%	0	0	0	0	6	6	6	6	6	6	6	6	6	6	0	0	100
Fees on dev costs	8.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>		12	12	12	12	97	97	97	97	97	97	97	97	97	97	0	0	1,018
PG																		769
Planning gain																		0
<b>Total</b>																		0
Grant																		0
Grant																		0
<b>Total</b>		12	12	12	12	0	0	0	0	0	0	0	0	0	0	0	0	35
Other		17	17	17	17	0	0	0	0	0	0	0	0	0	0	0	0	17
Planning	£397																	0
Survey	£200																	0
Marketing	£0																	52
<b>Total</b>		0	0	0	0	0	0	62	68	68	68	68	68	68	68	0	0	541
Sales fees																		
<b>Total costs</b>		3,310	187	344	349	1,342	1,458	1,520	1,527	1,527	1,527	1,527	1,527	1,527	1,527	68	68	15,918
<b>Net profit/loss from quarter</b>																		
		-3,310	-187	-344	-349	-1,342	-1,458	769	992	992	1,174	1,174	1,174	2,450	2,450	0	0	4,004
Profit/loss bf from last quarter		0	-3,372	-3,626	-4,044	-4,476	-5,927	-7,523	-6,881	-5,999	-5,100	-4,185	-3,067	-1,929	531	3,038	3,038	
<b>Cumulative profit/loss</b>																		
Interest	7.50%	-3,310	-3,559	-3,970	-4,393	-5,818	-7,385	-6,754	-5,888	-5,006	-4,108	-3,011	-1,893	522	2,982	3,038	3,038	
Charged at	7.50%	-62	-67	-74	-82	-109	-138	-127	-110	-94	-77	-56	-36	7,50%	7,50%	0.00%	0.00%	
Total		-3,372	-3,626	-4,044	-4,476	-5,927	-7,523	-6,881	-5,999	-5,100	-4,185	-3,067	-1,929	531	3,038	3,038	3,038	-967
Cumulative developer profit carried forward to RV calc																		3,037

## **SITE 4: Horsham Football Club Horsham**







**SITE 4 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	0	0	1,260	1,260	1,260	1,260	1,260	1,260	1,260	1,260	9,542
Market housing		0	0	0	0	0	0	0	0	381	381	381	381	381	381	381	381	2,887
Affordable soc rent		0	0	0	0	0	0	0	0	95	95	95	95	95	95	95	95	722
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-27	-47	-47	-47	-47	-47	-47	-47	-47	-47	-359
<b>Total income</b>																		
		0	0	0	0	0	0	992	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	1,737	13,151
<b>COSTS</b>																		
Land		2,270																2,270
Land acquisition		91																91
Stamp duty		62																62
Purchase fees																		2,423
<b>Total</b>																		3,248
Build costs		0	0	0	0	245	429	429	429	429	429	429	429	429	429	429	429	3,248
Market housing		0	0	0	0	131	229	229	229	229	229	229	229	229	229	229	229	1,732
Affordable soc rent		0	0	0	0	33	57	57	57	57	57	57	57	57	57	57	57	433
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	3.8%	0	0	0	0	16	27	27	27	27	27	27	27	27	27	27	27	206
<b>Total</b>		95	95	95	95	50	50	50	50	50	50	50	50	50	50	50	50	5,619
Dev costs		0	0	0	0	0	0	29	50	50	50	50	50	50	50	50	50	379
Upfront	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	60
Build related	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	379
Abnormals	1%	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
<b>Total</b>		0	0	0	0	42	74	74	74	74	74	74	74	74	74	74	74	819
Fees on build costs	10.0%	10	10	10	12	4	4	4	4	4	4	4	4	4	4	4	4	562
Fees on dev costs	8.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	65
<b>Total</b>		0	0	0	0	74	74	74	74	74	74	74	74	74	74	74	74	627
PG		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	560
Planning gain		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	560
<b>Total</b>		5	5	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant		11	11	11	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant Total	£270	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	£200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Survey	£0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>		2,573	140	180	230	595	944	972	992	992	992	992	992	992	992	992	992	359
Sales fees																		
<b>Total costs</b>																		10,433
<b>Net profit/loss from quarter</b>																		
		-2,573	-140	-180	-230	-595	-944	21	745	745	745	745	745	745	745	745	745	2,718
Profit/loss bf from last quarter		0	-2,622	-2,813	-3,049	-3,341	-4,010	-5,047	-5,120	-5,120	-5,047	-3,093	-2,262	-2,262	-1,415	280	2,006	2,006
Cumulative profit/loss		-2,573	-2,761	-2,983	-3,280	-3,936	-4,954	-5,026	-4,375	-3,712	-3,037	-2,220	-1,389	-1,389	275	1,969	2,006	2,006
Interest	7.50%	-48	-52	-56	-61	-74	-93	-94	-82	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	7,50%	0.00%
Charged at																		0.00%
Total																		-713
Cumulative developer profit carried forward to RV calc		-2,622	-2,813	-3,049	-3,341	-4,010	-5,047	-5,120	-4,457	-3,781	-3,093	-2,262	-1,415	-1,415	280	2,006	2,006	2,005

## **SITE 5: Rascals Close Southwater**







**SITE 5 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	1,228	1,228	1,228	1,228	1,228	0	0	0	0	0	6,139
Market housing		0	0	0	0	0	0	395	395	395	395	395	0	0	0	0	0	1,977
Affordable soc rent		0	0	0	0	0	0	99	99	99	99	99	0	0	0	0	0	494
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-46	-46	-46	-46	-46	0	0	0	0	0	-232
<b>Total income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,722</b>	<b>1,722</b>	<b>1,722</b>	<b>1,722</b>	<b>1,722</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,610</b>
<b>COSTS</b>																		
Land		1,406																1,406
Stamp duty		56																56
Purchase fees		39																39
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>445</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500</b>
Build costs		0	0	0	0	237	237	237	237	237	237	237	0	0	0	0	0	2,224
Market housing		0	0	0	0	59	59	59	59	59	59	59	0	0	0	0	0	1,186
Affordable soc rent		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	297
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	2.5%	0	0	0	0	19	19	19	19	19	19	19	0	0	0	0	0	93
<b>Total</b>		<b>64</b>	<b>64</b>	<b>64</b>	<b>64</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,799</b>
Dev costs	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	256
Upfront	6.8%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	256
Build related	1%	12	12															25
Abnormals																		538
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>76</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>380</b>
Fees on build costs	10.0%	6	6	9	9	4	4	4	4	4	4	4	0	0	0	0	0	43
Fees on dev costs	8.0%	0	0	0	0	73	73	73	73	73	73	73	0	0	0	0	0	423
<b>Total</b>		<b>6</b>	<b>6</b>	<b>9</b>	<b>9</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>363</b>
PG																		0
Planning gain																		0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Grant																		0
Grant																		0
<b>Total</b>		<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15</b>
Other	£515	11																11
Planning Survey	£350																	0
Marketing	£0																	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26</b>
Sales fees																		232
<b>Total costs</b>		<b>1,599</b>	<b>88</b>	<b>202</b>	<b>197</b>	<b>964</b>	<b>964</b>	<b>1,010</b>	<b>882</b>	<b>882</b>	<b>46</b>	<b>46</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,882</b>
<b>Net profit/loss from quarter</b>		<b>-1,599</b>	<b>-88</b>	<b>-202</b>	<b>-197</b>	<b>-964</b>	<b>-964</b>	<b>712</b>	<b>840</b>	<b>840</b>	<b>1,676</b>	<b>1,676</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,728</b>
Profit/loss bf from last quarter		0	-1,629	-1,748	-1,987	-2,226	-3,249	-4,292	-3,647	-2,860	-2,058	-390	1,310	1,310	1,310	1,310	1,310	0
Cumulative profit/loss		-1,599	-1,716	-1,951	-2,185	-3,189	-4,213	-3,580	-2,808	-2,020	-383	1,286	1,310	1,310	1,310	1,310	1,310	0.00%
Interest	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charged at		-30	-32	-37	-41	-60	-79	-67	-53	-38	-7	24	0	0	0	0	0	0
<b>Total</b>		<b>-1,629</b>	<b>-1,748</b>	<b>-1,987</b>	<b>-2,226</b>	<b>-3,249</b>	<b>-4,292</b>	<b>-3,647</b>	<b>-2,860</b>	<b>-2,058</b>	<b>-390</b>	<b>1,310</b>	<b>1,310</b>	<b>1,310</b>	<b>1,310</b>	<b>1,310</b>	<b>1,310</b>	<b>-419</b>
Cumulative developer profit carried forward to RV calc																		1,309

## **SITE 6: Farthings Horsham**



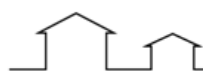




**SITE 6 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	185	923	923	923	923	923	0	0	0	0	4,797
Market housing		0	0	0	0	0	0	55	276	276	276	276	276	0	0	0	0	1,436
Affordable soc rent		0	0	0	0	0	0	14	69	69	69	69	69	0	0	0	0	359
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-7	-35	-35	-35	-35	-35	0	0	0	0	-180
<b>TOTAL income</b>																		
		0	0	0	0	0	0	254	1,268	1,268	1,268	1,268	1,268	0	0	0	0	6,593
<b>COSTS</b>																		
Land		1,071																1,071
Land acquisition		43																43
Stamp duty		29																29
Purchase fees																		1,143
<b>Total</b>		0	0	0	0	65	325	325	325	325	325	325	325	0	0	0	0	1,692
Market housing		0	0	0	0	35	174	174	174	174	174	174	174	0	0	0	0	902
Affordable soc rent		0	0	0	0	9	43	43	43	43	43	43	43	0	0	0	0	226
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	2.5%	0	0	0	0	3	14	14	14	14	14	14	14	0	0	0	0	70
<b>Total</b>		51	51	51	51	39	39	39	39	39	39	39	39	0	0	0	0	2,890
Upfront	7.0%	0	0	8	39													202
Build related	7.0%	10	10															20
Abnormals	1%																	425
<b>Total</b>		0	0	0	0	11	56	56	56	56	56	56	56	0	0	0	0	289
Fees on build costs	10.0%	5	5	5	7	3	3	3	3	3	3	3	3	0	0	0	0	34
Fees on dev costs	8.0%																	323
<b>Total</b>		4	4	10	51	51	51	51	51	51	51	51	51	0	0	0	0	263
Planning gain				0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant																		0
<b>Total</b>		4	4	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	£515	5				0	0	0	0	0	0	0	0	0	0	0	0	13
Planning	£200					0	0	0	0	0	0	0	0	0	0	0	0	5
Survey	£0					0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing						0	0	7	35	35	35	35	35	0	0	0	0	19
<b>Total</b>		1,218	70	78	147	215	704	711	739	646	646	646	646	0	0	0	0	5,243
Sales fees																		
<b>Total costs</b>		-1,218	-70	-78	-147	-215	-704	-457	-529	622	622	1,233	1,233	0	0	0	0	1,350
<b>Net profit/loss from quarter</b>		0	-1,241	-1,336	-1,440	-1,617	-1,866	-2,618	-3,133	-2,652	-2,068	-1,474	-245	1,007	1,007	1,007	1,007	
<b>Profit/loss bf from last quarter</b>		-1,218	-1,311	-1,413	-1,587	-1,832	-2,570	-3,075	-2,603	-2,030	-1,447	-241	988	1,007	1,007	1,007	1,007	
<b>Cumulative profit/loss</b>		7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%	0.00%	
Interest	7.50%	-23	-25	-27	-30	-34	-48	-58	-49	-38	-27	-5	19	0	0	0	0	-344
Charged at																		
<b>Total</b>		-1,241	-1,336	-1,440	-1,617	-1,866	-2,618	-3,133	-2,652	-2,068	-1,474	-245	1,007	1,007	1,007	1,007	1,007	1,006
<b>Cumulative developer profit carried forward to RV calc</b>																		

## **SITE 7: St Leonards School Horsham**



**Input assumptions** Scenario & option Affordable 40% = 80% social rented 20% intermediate

**Horsham site viability study**

**Site details**  
 Site 7 St Leonards School  
 Location Horsham  
 Area 0.50 ha 1.24 acres  
 No dwgs 20  
 Density dw/ha 40.0

**Contingency**  
 allowance 5.00%  
 £k 108

**Development costs**  
 standard % build 13.00% 295  
 plus abnormal 3.3% 75  
 Total 16%

**Design fees**  
 on build costs 10.0% 227  
 on dev costs 8%

**Planning gain & Grant contributions**  
 PG £ per dwg 7,698 154  
 Grant £ per dwg 0 0

**PG ALL**

**Dwellings**

**Dwellings**  
 Market housing 12.0 % of dwgs 60.00% % of units 60.00%  
 Affordable soc rent 6.4 % of dwgs 32.00% % of units 32.00%  
 Affordable sh oship 1.6 % of dwgs 8.00% % of units 8.00%

Total dwgs 20.0 100.00% 100.00%  
 Total units 20.0 100.00%  
 Floorspace density = 16,042 net sq ft per acre

**Other costs**  
 Planning 515.0 £ per dwelling  
 Survey 500 £ per dwelling  
 Marketing 0 £ per dwelling  
 Interest 7.50% % per annum

**Notes**

ave floor space gross sq ft	net sq ft	build cost per sq ft	build index =	sales value per sq ft
1,030	991	105.00	1.000	295.00
1,030	991	105.00	105.00	162.00
1,030	991	105.00	105.00	162.00
0	0	0.00	0.00	0.00
0	0	0.00	0.00	0.00
20,600	19,820			£2,163,000







## **SITE 8: Trees Billingshurst**



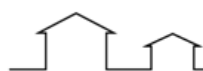




**SITE 8 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	TOTALS
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	0	0	937	937	0	0	0	0	0	0	3,280
Market housing		0	0	0	0	0	0	0	0	277	277	0	0	0	0	0	0	968
Affordable soc rent		0	0	0	0	0	0	0	0	69	69	0	0	0	0	0	0	242
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-18	-35	-35	-35	0	0	0	0	0	0	-123
<b>Total income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>641</b>	<b>1,283</b>	<b>1,283</b>	<b>1,283</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,490</b>
<b>COSTS</b>																		
Land		905																905
Land acquisition		36																36
Stamp duty		25																25
Purchase fees																		966
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>315</b>	<b>315</b>	<b>315</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,101</b>
Build costs		0	0	0	0	84	168	168	168	0	0	0	0	0	0	0	0	587
Market housing		0	0	0	0	21	42	42	42	0	0	0	0	0	0	0	0	147
Affordable soc rent		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	2.5%	0	0	0	0	7	13	13	13	0	0	0	0	0	0	0	0	46
<b>Total</b>		<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>32</b>	<b>32</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,881</b>
Dev costs	6.0%	0	0	16	32													113
Build related	6.0%	0	0	0	0													0
Abnormals	0%	0	0	0	0													0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>54</b>	<b>54</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>188</b>
Fees on build costs	10.0%	0	0	0	0	3	3	0	0	0	0	0	0	0	0	0	0	18
Fees on dev costs	8.0%	2	2	4	5													206
<b>Total</b>		<b>2</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>45</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>158</b>
PG				23	45													158
Planning gain				0	0													0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Grant				0	0													0
Grant				2	2													3
Planning	£515	3	2	0	0													3
Survey	£200			0	0													0
Marketing	£0			0	0													10
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375</b>	<b>671</b>	<b>609</b>	<b>626</b>	<b>35</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>123</b>
Sales fees b/forward from above		<b>1,001</b>	<b>33</b>	<b>73</b>	<b>110</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,569</b>
<b>Total costs</b>		<b>-1,001</b>	<b>-33</b>	<b>-73</b>	<b>-110</b>	<b>-375</b>	<b>-671</b>	<b>33</b>	<b>657</b>	<b>1,248</b>	<b>1,248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>921</b>
<b>Net profit/loss from quarter</b>		<b>0</b>	<b>-1,020</b>	<b>-1,073</b>	<b>-1,167</b>	<b>-1,301</b>	<b>-1,708</b>	<b>-2,424</b>	<b>-2,436</b>	<b>-1,812</b>	<b>-575</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>921</b>
Profit/loss bf from last quarter																		
<b>Cumulative profit/loss</b>		<b>-1,001</b>	<b>-1,053</b>	<b>-1,146</b>	<b>-1,277</b>	<b>-1,677</b>	<b>-2,379</b>	<b>-2,391</b>	<b>-1,779</b>	<b>-565</b>	<b>673</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>921</b>
Interest	7.50%																	
Charged at	7.50%	-19	-20	-21	-24	-31	-45	-45	-33	-11	13	0	0	0	0	0	0	-236
<b>Total</b>		<b>-1,020</b>	<b>-1,073</b>	<b>-1,167</b>	<b>-1,301</b>	<b>-1,708</b>	<b>-2,424</b>	<b>-2,436</b>	<b>-1,812</b>	<b>-575</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>685</b>	<b>921</b>

## **SITE 9: Trollslund Southwater**







**SITE 9 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	0	0	638	638	0	0	0	0	0	0	2,338
Market housing		0	0	0	0	0	0	0	0	194	194	0	0	0	0	0	0	712
Affordable soc rent		0	0	0	0	0	0	0	0	49	49	0	0	0	0	0	0	176
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	-24	-24	0	0	0	0	0	0	-88
Sales fees		0	0	0	0	0	0	-16	-24									
<b>Total income</b>																		
		0	0	0	0	0	0	587	880	880	880	0	0	0	0	0	0	3,228
<b>COSTS</b>																		
Land		501																501
Land acquisition		20																20
Stamp duty		14																14
Purchase fees																		534
<b>Total</b>																		856
Build costs		0	0	0	0	156	233	233	233	0	0	0	0	0	0	0	0	456
Market housing		0	0	0	0	83	124	124	124	0	0	0	0	0	0	0	0	114
Affordable soc rent		0	0	0	0	21	31	31	31	0	0	0	0	0	0	0	0	0
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	2.5%	0	0	0	0	6	10	10	10	0	0	0	0	0	0	0	0	36
<b>Total</b>		26	26	26	26	28	28	28	28	0	0	0	0	0	0	0	0	1,462
Dev costs	7.0%	0	0	19	28													102
Build related	7.0%	0	0	0	0													0
Abnormals	0%	0	0	0	0													0
<b>Total</b>		0	0	0	0	27	40	40	40	0	0	0	0	0	0	0	0	205
Fees on build costs	10.0%	2	2	4	4	2	2	0	0	0	0	0	0	0	0	0	0	146
Fees on dev costs	8.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16
<b>Total</b>		2	2	4	4	2	2	0	0	0	0	0	0	0	0	0	0	163
PG		0	0	23	34	34	34	0	0	0	0	0	0	0	0	0	0	125
Planning gain		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	125
<b>Total</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant		2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0
Grant Total	£515	2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0
Other	£200	2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0
Other Total	£0	2	2	2	2	2	2	0	0	0	0	0	0	0	0	0	0	0
Marketing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing Total		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees	b/forward from above	566	30	72	92	357	503	455	463	24	24	24	24	24	24	24	24	88
<b>Total costs</b>		566	30	72	92	357	503	455	463	24	24	24	24	24	24	24	24	2,585
<b>Net profit/loss from quarter</b>																		
		-566	-30	-72	-92	-357	-503	132	418	856	856	0	0	0	0	0	0	644
Profit/loss bf from last quarter		0	-577	-617	-703	-809	-1,188	-1,722	-1,620	-1,224	-375	491	491	491	491	491	491	491
Cumulative profit/loss		-566	-606	-690	-795	-1,166	-1,691	-1,590	-1,202	-368	482	491	491	491	491	491	491	491
Interest	7.50%	-11	-11	-13	-15	-22	-32	-30	-23	-7	9	0	0	0	0	0	0	-154
Interest Total	7.50%	-11	-11	-13	-15	-22	-32	-30	-23	-7	9	0	0	0	0	0	0	-154
Cumulative developer profit carried forward to RV calc		-577	-617	-703	-809	-1,188	-1,722	-1,620	-1,224	-375	491	491	491	491	491	491	491	490

# **SITE 10: W of 36**

## **The Fieldings Southwater**



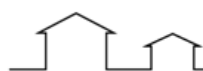


**SITE 10 LAND COST & PHASING**

Land	Iterate to achieve 20.0% profit												Hectare				
	Affordable												Affordable	No affordable			
	£ 266,472												£ 475,510	£ 874,711			
Land purchase price	£ 490,181												£ 1,211,238	£ 2,161,411			
RV per acre	£ 274,046												£ 358,570				
Dev profit	£ 1,517,638												£ 1,792,880				
Total costs	£ 18.06%												£ 20.00%				
profit as % of costs																	
	Year 1			Year 2			Year 3			Year 4			TOTALS				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
	0	0	3	3	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.4
			1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.9
			0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
			3	3	3	0	0	0	0	0	0	0	0	0	0	0	9.0
			2	2	2	2	2	2	0	0	0	0	0	0	0	0	5
			1	1	1	1	1	1	0	0	0	0	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	0	0	0	0	0	0	0	0	5
			1	1	1	1	1	1	0	0	0	0	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			2	2	2	2	2	2	2	2	2	2	0	0	0	0	5
			1	1	1	1	1	1	1	1	1	1	0	0	0	0	3
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0	0													



## **SITE 11: 36 – 48 Queen St Horsham**







**SITE 11 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,044
Market housing		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	307
Affordable soc rent		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	77
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-20	-20	0	0	0	0	0	0	0	0	-39
<b>Total income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>714</b>	<b>714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,427</b>
<b>COSTS</b>																		
Land		-145																-145
Land acquisition		0																0
Stamp duty		-4																-4
Purchase fees																		-148
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>277</b>
Build costs		0	0	0	0	138	0	0	0	0	0	0	0	0	0	0	0	519
Market housing		0	0	0	0	35	0	0	0	0	0	0	0	0	0	0	0	277
Affordable soc rent		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	69
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	5.0%	0	0	0	0	22	0	0	0	0	0	0	0	0	0	0	0	43
<b>Total</b>		<b>11</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>909</b>
Dev costs	5.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	45
Upfront	5.0%	0	0	23	23													45
Build related	15%	68	68															136
Abnormals																		227
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91</b>
Fees	10.0%	6	6	3	3	0	0	0	0	0	0	0	0	0	0	0	0	18
Fees on build costs	8.0%																	109
Fees on dev costs																		25
<b>Total</b>		<b>1</b>	<b>1</b>	<b>12</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25</b>
PG																		0
Planning gain																		0
<b>Total</b>		<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Grant																		0
Other	£515	4	1	1	1													4
Planning Survey	£500																	4
Marketing	£0																	0
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
Sales fees b/forward from above		-57	87	51	49	500	500	20	20	0	0	0	0	0	0	0	0	39
<b>Total costs</b>		<b>-57</b>	<b>87</b>	<b>51</b>	<b>49</b>	<b>500</b>	<b>500</b>	<b>20</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,169</b>
<b>Net profit/loss from quarter</b>		<b>57</b>	<b>-87</b>	<b>-51</b>	<b>-49</b>	<b>-500</b>	<b>-500</b>	<b>694</b>	<b>694</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>258</b>
Profit/loss bf from last quarter		0	58	-29	-81	-133	-645	-1,166	-481	217	217	217	217	217	217	217	217	217
Cumulative profit/loss		57	-29	-80	-131	-633	-1,144	-472	213	217	217	217	217	217	217	217	217	217
Interest	7.50%	1	-1	-1	-2	7.50%	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charged at Total		7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cumulative developer profit carried forward to RV calc		58	-29	-81	-133	-645	-1,166	-481	217	217	217	217	217	217	217	217	217	217

## **SITE 12: 10 Milnwood Road Horsham**







**SITE 12 CASH FLOW AFFORDABLE**

	rate	Year 1				Year 2				Year 3				Year 4				TOTALS
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>INCOME</b>																		
Housing sales		0	0	0	0	0	0	657	657	657	0	0	0	0	0	0	0	1,972
Market housing		0	0	0	0	0	0	190	190	190	0	0	0	0	0	0	0	570
Affordable soc rent		0	0	0	0	0	0	48	48	48	0	0	0	0	0	0	0	143
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales fees		0	0	0	0	0	0	-25	-25	-25	0	0	0	0	0	0	0	-74
<b>Total income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>895</b>	<b>895</b>	<b>895</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,685</b>
<b>COSTS</b>																		
Land		400																400
Stamp duty		12																12
Purchase fees		11																11
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>241</b>	<b>241</b>	<b>241</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>423</b>
Build costs		0	0	0	0	128	128	128	0	0	0	0	0	0	0	0	0	385
Market housing		0	0	0	0	32	32	32	0	0	0	0	0	0	0	0	0	96
Affordable soc rent		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Affordable sh oship		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Build contingency	3.8%	0	0	0	0	15	15	15	0	0	0	0	0	0	0	0	0	46
<b>Total</b>		<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>21</b>	<b>21</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,249</b>
Dev costs	5.0%	0	0	21	21													62
Upfront	5.0%	0	0	21	21													62
Build related	6%	35	35															70
Abnormals																		195
<b>Total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>42</b>	<b>42</b>	<b>42</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125</b>
Fees on build costs	10.0%	4	4	3	3	2	2	2	0	0	0	0	0	0	0	0	0	16
Fees on dev costs	8.0%	4	4	3	3	2	2	2	0	0	0	0	0	0	0	0	0	140
<b>Total</b>		<b>0</b>	<b>0</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65</b>
PG																		65
Planning gain																		0
Grant																		0
Grant																		0
Total																		0
Other	£515	1	1	1	1													3
Planning	£500	3																3
Survey	£0																	0
Marketing																		0
Total		0	0	0	0	0	0	25	25	25	0	0	0	0	0	0	0	6
Sales fees		0	0	0	0	0	0	25	25	25	0	0	0	0	0	0	0	74
<b>Total costs</b>		<b>481</b>	<b>56</b>	<b>62</b>	<b>61</b>	<b>502</b>	<b>458</b>	<b>483</b>	<b>25</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,153</b>
<b>Net profit/loss from quarter</b>		<b>-481</b>	<b>-56</b>	<b>-62</b>	<b>-61</b>	<b>-502</b>	<b>-458</b>	<b>412</b>	<b>870</b>	<b>870</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>533</b>
Profit/loss bf from last quarter		0	-490	-556	-630	-704	-1,229	-1,718	-1,330	-468	410	410	410	410	410	410	410	410
Cumulative profit/loss		-481	-546	-618	-681	-1,206	-1,687	-1,306	-460	402	410	410	410	410	410	410	410	410
Interest	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charged at		-9	-10	-12	-13	-23	-32	-24	-9	8	0	0	0	0	0	0	0	0
Total		<b>-490</b>	<b>-556</b>	<b>-630</b>	<b>-704</b>	<b>-1,229</b>	<b>-1,718</b>	<b>-1,330</b>	<b>-468</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>410</b>	<b>409</b>