

For: Havant Borough Council

Review of Applicant Submitted Viability Position

**Beachlands
5 Sea Front
Hayling Island
PO11 0AG**

**October 2025
(DSP25403AD)**

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1. Practice and Limitations

- 1.1.1. This review and its findings are intended purely for the purposes of providing Havant Borough Council (HBC) with an independent check of, and opinion on, the planning applicant's viability information and stated position in this case.
- 1.1.2. In the preparation of this review Dixon Searle Partnership has acted with objectivity, impartiality, without interference and with reference to appropriate available sources of information.
- 1.1.3. This report and any associated work does not provide or amount to formal valuation advice.
- 1.1.4. We have undertaken this as a desk-top exercise as is appropriate for this stage and level of review. For general familiarisation we have considered the site context from the information supplied by the Council and using available web-based material.
- 1.1.5. So far as we have been able to see, the information supplied to DSP to inform and support this review process has not been supplied by the prospective / current planning applicant on a confidential basis. However, potentially some of the information provided may be regarded as commercially sensitive. Therefore, we suggest that the Council and prospective / current or subsequent planning applicant may wish to consider this aspect together. DSP confirms that we are content for our review information, as contained within this report, to be used as may be considered appropriate by the Council (we assume with the applicant's agreement if necessary). In looking at 'Accountability', since July 2018 (para. 021 revised in May 2019), the published national Planning Practice Guidance (PPG) on viability says on this; *'Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.'*
- 1.1.6. Dixon Searle Partnership conducts its work only for Local Authorities and selected other public organisations. We do not act on behalf of any development interests. We have been and are involved in the review of other planning stage proposals within the Havant area as well as strategic level/planning policy projects.

- 1.1.7. In any event we can confirm that no conflict of interests exists, nor is likely to arise given our approach and client base. This is kept under review. Our fees are all quoted in advance and agreed with clients on a fixed or capped basis, with no element whatsoever of contingent/incentive/performance related payment.
- 1.1.8. This document has been prepared for this specific reason and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned. To the extent that the document is based on information supplied by others, Dixon Searle Partnership accepts no liability for any loss or damage suffered by the client.

2. Introduction

- 2.1.1 Dixon Searle Partnership (DSP) has been commissioned by Havant Borough Council (HBC) to carry out an independent review of the 'Financial Viability Assessment' (FVA) dated 24th April 2025 and supplied to the Council by Rapleys on behalf of the applicant, Linland Limited (Portsmouth). This is in relation to the proposed development of the site at Beachlands, 5 Sea Front, Havant, PO11 0AG¹.
- 2.1.2 The FVA has been submitted in support of an application (reference APP/24/00968) which seeks permission for: *'the development of 4No commercial units (E Use) and 32No residential units (C3 Use) over 4 floors with associated open space, public realm enhancements, demolition of the existing Beachlands Amusement Arcade Buildings and dwelling and associated works.'*
- 2.1.3 In presenting their viability position, the applicant has supplied to the Council the aforementioned 'Financial Viability Assessment' (FVA) together with appendices including a schedule of accommodation, an elemental cost plan from Holloway Squire Partnership Quantity Surveyors (HSP), BCIS cost data, site photos, and summaries of the submitted appraisals (including an appraisal relating to Benchmark Land Value). We have also been provided with the 'live' working versions of the submitted appraisals carried out using Argus Developer.
- 2.1.4 For context, DSP has also had sight of the documents contained within the Council's online planning application files.
- 2.1.5 This report does not consider planning policy or the wider aspects in the background to or associated with the Council's consideration of this scenario. DSP's focus is on the submitted viability assumptions and therefore the outcomes associated with that aspect of the overall proposals.
- 2.1.6 For general background, a viable development may be regarded as one which has the ability to meet its costs including the cost of planning obligations, while ensuring an appropriate site value (i.e. existing use value) for the landowner and a market risk adjusted return to the developer in delivering that project. The Government's Planning

¹ The address given in the FVA is Beachlands, Beach Road, PO11 0JG however the address on the Land Registry deeds for the site is 5 Sea Front, Hayling Island, PO11 0AG.

Practice Guidance (PPG) on Viability sets out the main principles for carrying out a viability assessment. It states:

‘Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return...Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making...In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission²’ .

- 2.1.7 Under normal circumstances, if the residual land value (RLV) created by a scheme proposal exceeds the existing use value plus a premium (referred to as a benchmark land value (BLV) in this case) then we usually have a positive viability scenario – i.e. the scheme is much more likely to proceed (on the basis that a reasonable developer profit margin is also reached).
- 2.1.8 The submitted appraisals have been run in a way which assesses the residual land value available after allowing for a fixed developer’s profit – which based on the submitted appraisals is an assumption of 17.47% of GDV applied to the development value (including commercial units) whether or not the appraisal includes affordable housing.
- 2.1.9 After allowing for the above-noted profit, the submitted appraisals all produce a negative residual value, before allowing for any land value. The FVA assumes a Benchmark Land Value of £536,000, and once this is taken into account alongside the appraisal deficit and the assumed profit, the submitted scenarios based on the HSP cost plan indicate an ‘actual profit’ which is negative. Therefore the scheme as presented makes a net loss.

² Paragraph: 10 Reference ID: 10-010-20180724

2.1.10 Rapleys have also sensitivity-tested build costs based on BCIS median rates and applied to a 100% market housing scenario, which also indicates a deficit against the BLV but does indicate an overall profit.

2.1.11 The results of the various appraisals are shown below (DSP summary):

SCENARIO	Notes	GDV	PROFIT	RLV	BLV	Surplus/Deficit	'Actual Profit', taking into account deficit	'Actual Profit' as % GDV
100% Market Housing (32 x market dwellings)	Build costs based on cost estimate from HSP	£13,888,113	£2,426,253	-£5,379,859	£536,000	-£5,915,859	-£3,489,606	-25.1%
Policy Compliant (22 x market and 10 x affordable)	Build costs based on cost estimate from HSP	£12,539,590	£2,190,666	-£6,132,106	£536,000	-£6,668,106	-£4,477,440	-35.7%
100% Market Housing (32 x market dwellings)	Build costs based on BCIS median rates	£13,888,113	£2,426,253	£178,229	£536,000	-£357,771	£2,068,482	14.9%

2.1.12 The FVA concludes that: *'[The sensitivity test using BCIS data] shows the scheme would be marginally viable based on standard construction costs and it is really the abnormal construction costs associated with this development which is generating the viability gap.'*

2.1.13 The FVA goes on to note that *'another contributing factor is that the commercial element of the site is currently generating a large deficit'*.

2.1.14 As per the table above, when the HSP build costs are applied the scheme makes a significant net loss, and on that basis would appear to not be proceedable at all. Rapleys do not comment on this outcome, although as above they have tested median build costs which indicate that the scheme (without the inclusion of any affordable housing) could be delivered with circa £2 million (15% GDV) profit.

2.1.15 DSP's remit is to review the submitted information to assess whether the stated viability position has been reasonably assessed at the time of the review. Our brief does not go as far as confirming what should be the outcome where schemes are stated or verified as being non-viable per se, based on a viability submission or any subsequent review. It is for the applicant to decide whether there is sufficient justification to pursue a scheme financially. While matters relating to planning obligations will be a material consideration, we are not aware that proof of positive viability is in itself a criterion for acceptable development under current national policy. The Council may wish to consider these matters further, however.

- 2.1.16 In this context, Havant BC requires our opinion as to whether the viability figures and position put forward on behalf of the applicant are reasonable. We have therefore considered the information submitted. Following our review of the key assumptions areas (following report section 3), this report provides our views (summary at final section 4 below).
- 2.1.17 We have based our review on the submitted FVA and the premise that the viability of the scheme should be considered based on the assumption of current costs and values. We will then discuss any variation in terms of any deficit (or surplus) created from the submitted base position by altering appraisal assumptions (where there is disagreement, if any).
- 2.1.18 The purpose of this report is to provide our overview comments regarding this individual scheme, on behalf of the Council - taking into account the details as presented. It will then be for the Council to consider this information in the context of the wider planning objectives in accordance with its policy positions and strategies.
- 2.1.19 In carrying out this type of review a key theme for us is to identify whether, in our opinion, any key revenue assumptions have been under-assessed (e.g. sales value estimates) or any key cost estimates (e.g. build costs, fees, etc.) over-assessed – since both of these effects can reduce the stated viability outcome.
- 2.1.20 This assessment has been carried out by Dixon Searle Partnership, a consultancy which has many years' combined experience in the development industry working for Local Authorities, developers, Housing Associations and in consultancy. As consultants, we have a considerable track record of assessing the viability of schemes and the scope for Local Authority planning obligation requirements. This expertise includes viability-related work carried out for many Local Authorities nationwide over more than 20 years.
- 2.1.21 In carrying out this type of review a key theme for us is to identify whether, in our opinion, any key revenue assumptions have been under-assessed (e.g. sales revenue estimates) or any key cost estimates (e.g. build costs, fees, etc.) over-assessed – since both of these effects can reduce the stated viability outcome.

3. Review of Submitted Viability Assumptions

3.1 Overview of Approach

- 3.1.1 The following commentary reviews the applicant's submitted viability assumptions as explained within the FVA.
- 3.1.2 Primarily the review process takes into account the fact that the collective impact of the various elements of the cost and value assumptions is of greatest importance, rather than necessarily the individual detailed inputs in isolation. We have considered those figures provided, as below, and reviewed the impact of trial changes to particular submitted assumptions.
- 3.1.3 This type of audit / check is carried out so that we can give the Council a feel for whether or not the presented outcome is approximately as expected – i.e. informed by a reasonable set of assumptions and appraisal approach.
- 3.1.4 Should there be changes to the scheme proposals relative to the details now under review, this would obviously impact on the appraisal outputs.

3.2 Benchmark Land Value

- 3.2.1 In most appraisals of this type, the base value (value of the site or premises – e.g. in existing use) is one of the key ingredients of scheme viability. A view needs to be taken on land value so that it is sufficient to secure the release of the site for the scheme (sale by the landowner) but is not assumed at such a level that restricts the financial capacity of the scheme to deliver suitable profits (for risk reward), cover all development costs (including any abnormals) and provide for planning obligations as a part of creating sustainable development. This can be a difficult balance to reach, both in terms of developers' dealings with landowners, and Councils' assessments of what a scheme has the capacity to bear.
- 3.2.2 The RICS (Royal Institution of Chartered Surveyors) Professional Standard 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' (reissued April 2023) took effect from 1st July 2021 when it was previously published as a guidance note. Its emphasis reflects the Planning Practice Guidance (PPG) on Viability as noted below, and the PPG will remain the primary source of guidance in this field – viability in planning.

3.2.3 The RICS Professional Standard states that:

'The BLV should not be expected to equate to market value. [...] The BLV is not a price to be paid in the marketplace; it is a mechanism by which the viability of the site to provide developers' contributions can be assessed. It should be set at a level that provides the minimum return at which a reasonable landowner would be willing to sell'.

3.2.4 It goes on to state:

'The BLV is a benchmark value against which the developer contributions can be assessed. Once those contributions have been set, land markets should take the level of policy requirements into account, just as all markets should take all relevant factors that affect value into account. PPG paragraph 013 states that 'Landowners and site purchasers should consider policy requirements when agreeing land transactions. This means that the actual price paid for a site cannot be used to reduce developer contributions.'

3.2.5 The latest PPG on viability and the NPPF (most recently updated in September 2023) very clearly advise that land value should be based on the value of the existing use plus an appropriate level of premium or uplift to incentivise release of the land for development from its existing use. With regard to how land value should be defined for the purpose of viability assessment it states: *'To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner.'*

3.2.6 The PPG defines existing use value as: *'the first component of calculating benchmark land value. EUV is the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results;*

valuation office agency data; public sector estate/property teams' locally held evidence.³

3.2.7 It states that a Benchmark Land Value should:

- *'be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
- *be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time⁴.*

3.2.8 The guidance further states that: *'Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.'* It goes on to state: *'Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement⁵.)'*

3.2.9 With regard to assuming an alternative use value to determine BLV the guidance states: *'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in*

³ Paragraph: 015 Reference ID: 10-015-20190509

⁴ Paragraph: 014 Reference ID: 10-014-20190509

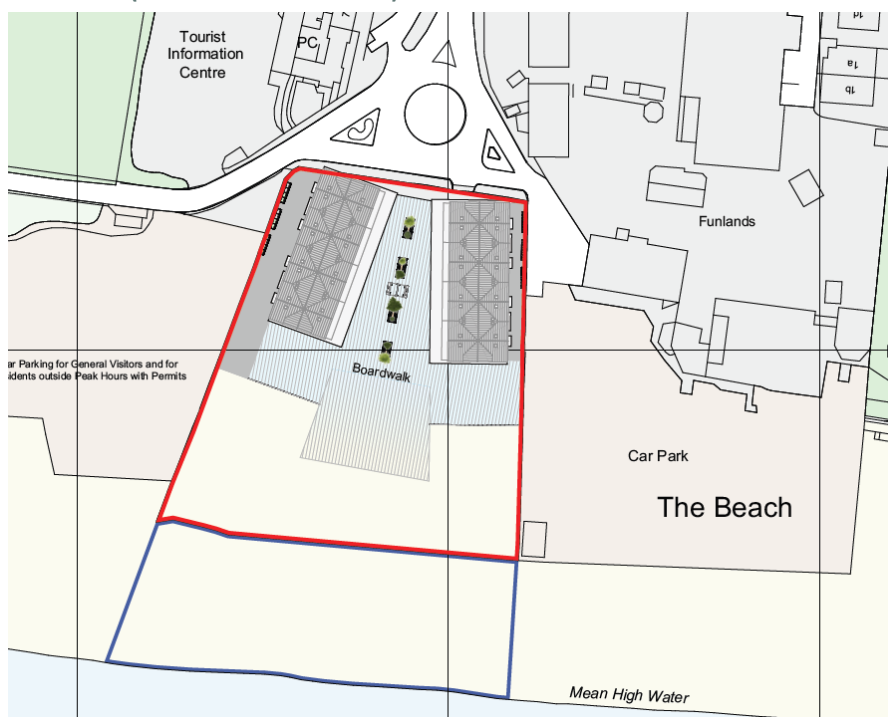
⁵ Paragraph: 014 Reference ID: 10-014-20190509

establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted⁶.

3.2.10 It is therefore clear that the only acceptable approach to defining a benchmark land value for the purposes of a viability assessment, is the EUV+; or, exceptionally, AUV.

3.2.11 The site is stated to be approximately 2 acres (0.81 hectares) and is occupied by a car park, and a ground floor amusement arcade and café with a flat on the upper floor.

Block Plan (source: PWP architects)



⁶ Paragraph: 017 Reference ID: 10-017-20190509

- 3.2.12 Land Registry records show that the site was last sold for £550,000 in March 2015 to Warren Peak (a director of Linland Limited, the planning applicant).

5 Sea Front, Hayling Island, PO11 0AG (Freehold)

Title number: HP219690

Accessed on 07 October 2025 at 12:08:31

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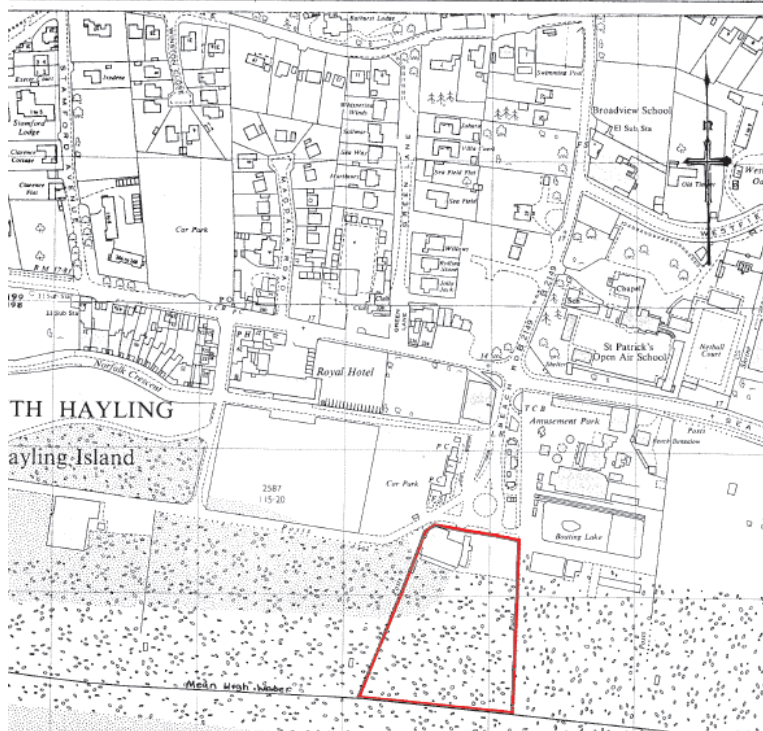


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Register summary

Title number	HP219690
Registered owners	Albert Warren Peak 27 Wheatlands Avenue, Hayling Island PO11 9SG
Last sold for	£550,000 on 20 March 2015

H.M. LAND REGISTRY		TITLE NUMBER
		HP219690
ORDNANCE SURVEY PLAN REFERENCE	S Z 7198 S Z 7199	Scale 1/2500
COUNTY HAMPSHIRE	HAVANT DISTRICT	© Crown copyright



3.2.13 Rapleys have based the BLV of the site on an alternative use valuation, based on the value of the site (including the flat above the café) after renovation/refurbishment. The flat is a large 5-bed flat stated to be beyond economic repair due to a fire.

3.2.14 An AUV appraisal has been included which assumes a rent at the following level (stated to be the current income from the site):

UNIT	RENT PER ANNUM
Car Park	£5,000
Café	£41,600
Burger Bar	£10,000
Ice Cream Bar	£10,000
Amusement Arcade	£120,000
Total	£186,600

3.2.15 We have not been provided with any rent schedules or other evidence therefore we are unable to confirm the above rents.

3.2.16 In any event, the appraisal assumes refurbishment costs of £111.48/ft² for the commercial elements and £70,000 for the flat, resulting in total refurbishment costs of £1,155,927. This appears to acknowledge, therefore, that achieving or maintaining the above-stated rent would mean investment in the property which is run down and fire damaged. This is an appropriate approach in our view, reflecting that a buyer would need to reflect the ongoing/future maintenance cost in the price paid and not focus solely on the existing income.

3.2.17 Allowances have been made of 10.0% for professional fees, and a profit of 15.0% GDV.

3.2.18 A finance rate of 7.5% has been assumed.

3.2.19 The appraisal indicates a residual value of £535,588 which has been adopted as the Benchmark Land Value by Rapleys.

3.2.20 As noted above, a similar amount was paid for the site 10 years ago since when the property has been in commercial use, which indicates that the property was not purchased for redevelopment and has been providing an income. The condition of the property has likely worsened over the past 10 years, and potentially also the level of

trade due to wider economic factors. However the AUV put forward by Rapleys is based on a reasonable set of assumptions, taking into account refurbishment costs. And, looked at in terms of existing use value, whilst this is likely to be lower than the price paid, a premium would be allowable on a lower EUV.

- 3.2.21 Overall we consider that the BLV is broadly in the expected range and we will consider land value further in section 4 in terms of the residual value generated by our appraisals.

3.3 Acquisition Costs

- 3.3.1 Acquisition costs of 1.5% of the residualised value have been applied in the submitted appraisals for the proposed scheme (therefore resulting in nil allowance for this item in the appraisals with a negative residual value). This percentage assumption does not exceed typical allowances.

- 3.3.2 The submitted assumptions on acquisition costs are considered to be not unreasonable.

3.4 Gross Development Value – Residential sales values

- 3.4.1 We have summarised the proposed housing mix and assumed market values in the table below:

Number of units	Number of beds	Unit size (ft ²)	Floor area (ft ²)	£/unit (From)	£/unit (To)	£/unit (AVERAGE)	GDV (£)	£/ft ²
4	2	686	2743	£360,000	£375,000	£367,500	£1,470,000	£536
4	2	703	2812	£365,000	£380,000	£370,000	£1,480,000	£526
8	2	710	5683	£365,000	£365,000	£365,000	£2,920,000	£514
8	3	962	7698	£417,500	£417,500	£417,500	£3,340,000	£434
4	3	963	3853	£415,000	£432,500	£423,750	£1,695,000	£440
4	3	1077	4310	£435,000	£442,500	£438,750	£1,755,000	£407
32			27099			£395,625	£12,660,000	£467

- 3.4.2 Rapleys have reviewed advertised and sold prices for new build and second hand properties, with the nearest being Park View Apartments which at the time of review had advertised prices ranging from £387 to £458/ft² and we note has 2-bed flats currently advertised for sale for £400,000 (£442/ft²). Rapleys have assumed that the subject site will have a premium due to the seaside location.

- 3.4.3 Rapleys have also reviewed Station Court and Elm Grove developments built in 2020, and various flats sold on the second hand market.

3.4.4 We have reviewed the submitted comparables and have carried out our own, similar, review as part of our verification of the submitted values.

3.4.5 We have reviewed sales recorded by Land Registry, summarised below:

Land Registry - Sold Prices	Period:	PAST THREE YEARS' DATA			
Property Type	New Build or Resale?	Search radius (miles)	Average floor area (ft ²)	Average value (based on individual entries adjusted for HPI)	Average value (£/ft ²)
Flats	NEW BUILD	1	1212	£531,561	£439
Land Registry - Sold Prices	Period:	PAST YEAR'S DATA			
Property Type	New Build or Resale?	Search radius (miles)	Average floor area (ft ²)	Average value (based on individual entries adjusted for HPI)	Average value (£/ft ²)
Flats	RESALE	2	629	£195,814	£311

3.4.6 There are not currently any new build properties advertised for sale on Hayling Island. We have reviewed properties advertised for resale on or close to the seafront, summarised below:

Apartments advertised for sale - Rightmove				
Address	Asking price	Floor	Internal Area (ft ²)	£/ft ²
Sea Front	£ 449,995	2nd Floor	1223	£ 368
Sea Front	£ 425,000	GF	1075	£ 395
Northney Marina	£ 375,000	1st Floor	1130	£ 332
Sea Front	£ 350,000	Penthouse	1177	£ 297
Seafront	£ 340,000	1st Floor	1000	£ 340
Sea Front	£ 340,000	1st Floor	1002	£ 339
Southwood Road	£ 325,000	1st Floor	846	£ 384
Southwood Road	£ 319,950	GF	1000	£ 320
Bembridge Drive	£ 300,000	1st Floor	746	£ 402
AVERAGE	£ 358,327		1022	£ 351

3.4.7 The above examples are resale properties, and most are larger than the proposed properties. Values at the subject site are likely to be significantly higher due to the premium attached to new build apartments, and due to the size of the proposed properties (with £/ft² rates typically higher for smaller apartments). The submitted values equate to £467/ft² which appears reasonable based on our research and commentary above.

3.4.8 Overall, based on our research and on the comparables provided by Rapleys, we consider that the submitted market values are not underestimated, and we have not adjusted these in our appraisals.

3.5 Gross Development Value – Affordable housing

3.5.1 In the appraisals where affordable housing has been included, a policy compliant 10 units of affordable housing has been assumed, split 50/50 between Affordable Rent and shared ownership dwellings. Rapleys have used a separate Proval appraisal (not provided) which indicates a package price of £2.23 million for the affordable housing, equating to 59% of market value. Rapleys note that the overall value is relatively low due to the Local Housing Allowance rates cap in the Havant area.

3.5.2 Overall the assumed AH values are considered suitable for the review purpose.

3.6 Gross Development Value – Commercial

3.6.1 The proposals include four commercial units, each of 3,378 ft². Rapleys have reviewed local transactions and conclude that a rent of £10.00/ft² would apply to the units therefore a rent of £135,120 per annum. The FVA states that this has been capitalised using a 9.0% yield and with an assumed a 1 year rent-free period, however the actual appraisals assume a 10.0% yield which leads to a leading to a commercial GDV of £1,228,273 in total (£90/ft²). In our view a 9.0% yield is appropriate in this case with a 10.0% yield being applied to the BLV appraisal of the existing units on the assumption that these will be refurbished units within an older building (and in a separate older building) and with a configuration that is not optimal.

3.6.2 The CoStar commercial database indicates an average achieved rent of £16.65/ft². This, includes units in a more prominent shopping location, however the subject site is well-

frequented, particularly in the summer months and we note the stated level of rent being paid for the existing commercial units.

3.6.3 We note the recent let of a small ground floor commercial unit of 1,253 ft² located on the ground floor of a block of retirement flats in Elm Grove, 1 mile from the site. The CoStar commercial database indicates that a rent of £11.78 has been agreed. This example is located some distance from the main shopping area/precinct. Rapleys note that the proposed commercial units will not be in the High Street or this main shopping area, however as noted above they will benefit from the tourist trade in the summer being located next to the funfair.

3.6.4 Overall we consider that the value of the proposed commercial units is underestimated; in particular when considered alongside the stated rent/value for the existing run-down properties of £19.16/ft² leading to a capital value of £111/ft².

3.6.5 We have tested a rent of £19.50/ft² for the new units, combined with the submitted 9.0% yield, leading to a value (after allowing for a 1 year rent free period) of £199/ft².

3.7 Cost Assumptions - Construction Costs, Fees and other site costs

3.7.1 The build cost has been based on a cost plan from HSP dated 13 August 2024. This estimates the build costs at £15,100,853 in total, including fees and contingency.

3.7.2 The HSP costs also include an inflation allowance (effectively a further risk allowance) which would not typically be accepted for viability appraisal purposes – with a present day view being taken on both values and costs. That said, the cost plan base estimate is dated 3Q 2024 and since then build costs have increased (with national figures indicating a 2.0% rise).

3.7.3 The costs set out in HSP's cost plan are as follows:

HSP Cost Plan (DSP summary)		
Item	COST	£/ft²
Plot Build	£7,826,189	£174
Services	£2,088,500	£46
Externals	£783,887	£17
Drainage	£367,700	£8
External services	£349,900	£8
Preliminaries	£1,141,618	£25
OHP	£799,132	£18
Project/Design Team Fees and 'Other development costs' described as 'Contribution Costs to date'	£636,127	£14
Risk allowances	£668,000	£15
TOTAL	£14,661,053	£325
Inflation allowance	£439,800	£10

3.7.4 In terms of the relevant BCIS rates (which include plot build costs and preliminaries/OHP) the cost plan rates amount to £263/ft² which places the costs at approximately 8% above the current Upper Quartile BCIS level and 30% above the Median BCIS level. The cost plan also allows for a further 7% in external/abnormal costs.

3.7.5 The proposal is to develop on/near the beach, and the cost plan allows provisional sums for piled foundations. The cost plan does note that the plan has been prepared with extremely limited information and therefore includes additional risk allowances and that the cost plan *'should be used to promote further discussion and as a cost yardstick to rationalise design criteria to the proposed budget. There may also be options to reduce the costs through design review and development'* and that *'possible savings may be made in specification to the scheme and by further detail work being undertaken'*.

3.7.6 We note also that the submitted appraisals assume a further 5.0% contingency on the HSP cost plan which already includes £159.50/ft² for risk (£668,000 which is already approximately 5.0%).

3.7.7 Rapleys have also sensitivity-tested build costs at BCIS median level, plus a standard 10.0% allowance for external works, 10.0% for professional fees and 5.0% contingency. No other external/abnormal costs have been assumed within this sensitivity test (for example allowances for piled foundations which as noted above are likely to be required. We note also that the some of the site is a high flood risk area which is likely to require some mitigation within the design. Therefore whilst costs can be expected to be lower than indicated in the submitted cost plan (and indeed would have to be significantly lower for the scheme to be deliverable at all), the BCIS-based costs may be considered an optimistic view in this case.

3.7.8 At the time of Rapleys' report, the BCIS rates for flatted development in Havant were £190.90, however the present rate is £196.77. We are unsure which BCIS rate was applied for 'commercial', however the current BCIS rate for 'Shops' in Havant is £156.82/ft², which is lower than the £164.22 tested by Rapleys. Overall applying what we consider to be the appropriate BCIS rates indicates an increase of approximately 3.0% to the overall costs sensitivity-tested by Rapleys.

3.7.9 Therefore, we have tested a 3.0% increase to Rapleys' BCIS-based estimate.

3.8 Development Timings/Project Timescales

3.8.1 The timings in the submitted appraisals include 1 month purchase period, a 3-month lead-in and an 18 month construction period. The sales period of 8 months begins at the end of construction and market sales revenue is assumed 20% at the start of the sales period with the rest spread evenly across the remaining sales period. Commercial revenue is assumed in a lump sum at the end of construction, as is affordable housing revenue.

3.8.2 We do not consider these timings assumptions to be unreasonable.

3.9 CIL and S106 costs

3.9.1 The appraisal assumes CIL at the 2025 indexed rate of £174.55/m² per annum, applied to the net increase in floor area (deducting 1,220 m² of existing floor area). This results in a CIL allowance of £518,000 for the 100% market scheme, and £430,000 for the scheme with 12 units of affordable housing. The Council has provided an estimate of £489,833 for CIL however it is not clear what level of affordable housing has been

assumed within that calculation. The precise amount of CIL will be dependent on the level of affordable housing agreed.

- 3.9.2 A provisional allowance has been made within the submitted appraisals of £5,000 per unit for S106 costs, therefore a total of £160,000.
- 3.9.3 The Council has provided some detail on S106 costs, and the current estimates are for a total of circa £130,000, with the exact amount depending on the cost of nutrient mitigation, and monitoring fees related to mitigation and S106 Heads of Terms. We have not adjusted the submitted S106 assumption at this stage but note that a lower amount than assumed may apply in this case. We can revise our appraisals if more detail is provided.

3.10 Development Finance

- 3.10.1 Typically, in the recent period we would expect to see finance rates of 6-8%, with those assumptions representing the costs inclusive of all fees.
- 3.10.2 Finance costs have been included using a 7.5% debit interest rate assumption as well as a 4.25% credit rate on positive balances.
- 3.10.3 We consider these assumptions to be not unreasonable.

3.11 Agent's, Marketing and legal costs

- 3.11.1 Sales and marketing costs for the residential market sale properties have been included at 2.5% GDV, and legal costs at £750 per unit. These allowances do not exceed typical parameters and are considered broadly appropriate.
- 3.11.2 For the commercial units, a letting agent fee of 10.00% of rent and a legal fee of 3.00% of rent have been assumed. Again, these are within the expected range.

3.12 Developer's Risk Reward – Profit

- 3.12.1 The Planning Practice Guidance (PPG) on Viability states: *'Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to*

accord with relevant policies in the plan'. It goes on to state: 'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types⁷'.

- 3.12.2 In this case, the level of profit has been included as a fixed input at 17.47% of gross development value (GDV). This has been applied whether or not affordable housing is included.
- 3.12.3 We have tested a profit of 17.5% GDV on residential market sale, 6.0% on affordable housing (where included) and 15.0% on commercial accommodation.

⁷ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> - Paragraph: 018 Reference ID: 10-018-20190509

4. Summary - Overview

- 4.1.1 Overall, the submitted approach to assessing the viability of the proposed scheme is considered to be appropriate in terms of principles and approach to the development appraisal.
- 4.1.2 Similarly, we consider most of the submitted assumptions to be appropriately placed. There are some areas where we have raised queries or tested alternative assumptions (see section 3, above), namely the GDV of the proposed commercial units where we have tested an increased rent of £19.50/ft², the S106 costs which are based on a general assumption and may be overestimated by circa £30,000⁸, and the profit allowances where we have applied our own assumptions as set out in 3.12.3, above.
- 4.1.3 Applying the above adjustments, our appraisal indicates a residual value of £1,024,183. When compared with the assumed BLV of £536,000 this indicates a surplus of £488,183.
- 4.1.4 We have also tested a policy compliant scheme with 12 units of affordable housing (with DSP's assumptions applied including a lower profit on affordable housing dwellings). This indicates a residual value of £487,542 which when compared to the assumed BLV of £536,000 indicates a small deficit of -£48,458.
- 4.1.5 Overall, therefore, at this stage we are unable to agree with the submitted viability position that the scheme is unlikely to support affordable housing on the basis of the cost and values put forward as part of the applicant's assessment. The submitted cost plan is heavily caveated and does not present a realistic assessment of the scheme costs in terms of how the scheme will actually be delivered.
- 4.1.6 Whilst in our view the scheme may not support a full policy compliant provision of affordable housing, there is potential scope for the provision of affordable dwellings on site or for a financial contribution.
- 4.1.7 Stepping back and taking a balanced view, however, it should be noted that the position we have tested based on BCIS median costs represents a positive view of the likely scheme costs, and if the actual costs once abnormalities are taken into account and a more

⁸ We have not adjusted the assumed £160k assumption for now, pending updated information.

accurate picture is available of the build costs may be higher (noting the need for piling and dealing with drainage on the site, plus a good specification to support the assumed sales values.

- 4.1.8 In summary we do not consider that sufficient justification has been provided for a nil provision of affordable housing to be agreed. And, if a below policy-level provision is agreed at this stage the Council should consider including a review mechanism that enables viability to be revisited once there is more certainty on costs and values (therefore allowing contributions to be increased if the viability position is found to have improved).
- 4.1.9 We need to be clear that our review is based on current day costs and values assumptions as described above, based on the current scheme as submitted. A different scheme may of course be more or less viable – we are only able to review the information provided.
- 4.1.10 No viability appraisal or review can accurately reflect costs and values until a scheme is built and sold - this is the nature of the viability review process. In this sense, the applicant and their agents are in a similar position to us in estimating positions – it is not an exact science by any means, and we find that opinions will usually vary.
- 4.1.11 As regards the wider context including the still uncertain economic situation, the most recent (national) reporting suggests that the housing market generally is improving, with average house prices reported as having increased slightly and prospects for 2025/26 overall seen as positive despite the recent stamp duty changes. Construction costs are still increasing, but at a much slower rate than has been experienced in previous years and these are seen to be stabilising currently.
- 4.1.12 The RICS Professional Standard notes that ‘Development risk’ reflects: *‘The risk associated with carrying out, implementing and completing a development, including site assembly, planning, construction, post-construction letting and sales’* and that *‘The return for the risk is included in the developer return and the PPG makes it clear that it is the developer’s job to mitigate this risk, not plan makers and decision takers’*. This is all part of the usual development process. Furthermore, in reflecting the PPG the RICS Professional Standard notes: *‘PPG paragraphs 007 and 009 reflect on the impact of*

market cyclicalities during the life of the plan. Paragraph 007 gives market downturns as one example of the justification for a site-specific FVA, but it is restricted to “a recession or similar significant economic change”. This implies the exclusion of normal market cyclicalities, which is embedded in the level of developer return’.

4.1.13 DSP will aim to assist further if requested by HBC.

**Review report ends
October 2025**