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Affordable Housing Viability Study

Prepared for
London Borough of Hackney

May 2010

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Appendix 1 Appraisal outputs

Contact details:

Anthony Lee, Director – Affordable Housing
BNP Paribas Real Estate
90 Chancery Lane
London WC2A 1EU

Tel: 020 7338 4061
Fax: 020 7404 2028
Email: anthony.lee@bnpparibas.com

1 Executive Summary

- 1.1 This report forms part of the London Borough of Hackney's ('LBH') evidence base for its affordable housing policy requirements. It tests the ability of a range of sites throughout Hackney to provide varying levels of affordable housing, with and without grant and with various tenure mixes, on a range of sites in various existing uses.

Methodology

- 1.2 The study compares the residual value of a range of hypothetical development scenarios to a range of typical existing use values. If a residential scheme has a higher value than the existing use value (plus a premium to encourage land to come forward), the scheme can be judged to be viable with a given level of affordable housing and other planning obligations.
- 1.3 The study utilises the residual land value method of calculating the value of each hypothetical development. This method is used by developers in determining how much to bid for land and involves calculating the value of the completed units, including the affordable housing units, within the scheme and deducting development costs (construction, fees, finance and planning obligations) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and equates to the amount that a developer would normally pay for the site.
- 1.4 The housing market is inherently cyclical and the Council is testing its affordable housing policy at a time when values have fallen below their peak. We have therefore tested the viability of affordable housing delivery against both today's values and peak 2007 values, reflecting a future recovery in the housing market during the plan period.

Key findings

- 1.5 The key findings of the study are as follows:
- The appraisals indicate that 50% affordable housing is financially viable in many circumstances across all existing use value sites at peak 2007 sales values, and in a reduced number of cases with current (October 2009) values.
 - If grant funding is not available, the 50% affordable housing target is achievable in a reduced number of development scenarios.
 - The level of sales values and existing use value of sites are key factors in determining whether an individual site is capable of providing 50% affordable housing.
 - The study results indicate that an affordable housing threshold of 10 would be financially viable in most circumstances and the Council could consider a reduction in the threshold.
 - There is no evidence that would support the adoption of an affordable housing policy that would require a minimum level of provision.

Summary of conclusions

- 1.6 The study indicates that 50% affordable housing (in combination with other planning obligations as noted above) is achievable in many cases on the types of sites coming forward for development over the plan period. Sites with lower EUVs appear to be most able to meet the 50% policy requirement without grant funding support. Our sensitivity testing of this main finding indicates that changes to main appraisal variables in isolation do not have a significant impact that would result in a different conclusion, as follows:
- We have appraised the hypothetical schemes using two developer profit levels (15% and 20%, the former reflecting average developer profit levels up to 2007 and the latter reflecting average developer profit levels in the current market). The results of the appraisals indicate that an increase in target developer profit levels should not significantly change the levels of affordable housing that can be viably delivered (assuming other variables remain unchanged).
 - We have modelled the hypothetical schemes using two levels of planning obligations, from a base level of £8,000 per unit to a higher level of £11,000 per unit (with a 50% discount in both cases for affordable units). The impact of increased Section 106 obligations on the quantum of affordable housing that can be delivered is limited. The imposition of increased Section 106 requirements is unlikely to be a major determinant in scheme viability (assuming other variables remain unchanged).
 - An increase in existing use values of 20% has a modest impact on scheme viability and the maximum viable levels of affordable housing that can be secured. Increasing values of other land uses (perhaps in response to a wider property market recovery) should not give rise to any change in the general conclusions drawn from the data (assuming other variables remain unchanged).
 - A 10% increase in build costs has a limited impact on overall scheme viability (assuming other variables remain unchanged) and could be accommodated in the context of increasing values over the medium term, without affecting affordable housing delivery.

2 Introduction

- 2.1 This study has been commissioned by LBH to provide an up to date evidence base as required by PPS 3 and PPS12. The aims of the study are summarised as follows:
- a To review the financial viability of LBH's emerging affordable housing policy;
 - b To test the impact upon the economics of residential development of a range of affordable housing policy options, up to the Council's proposed target of 50% affordable housing;
 - c To test affordable housing percentages of 30% 40% and 50% affordable housing, with and without grant;
 - d To test the impact of varying the tenure mix of the affordable, with a starting point of 70% social rent and 30% intermediate, and an alternative mix of 60% social rent and 40% intermediate;
 - e To consider the viability of setting a threshold for affordable housing of 10 units;
 - f To test the impact of current S106 requirements and an increase thereon;
 - g To consider the impact of a requirement for 10% of all units to be provided as wheelchair units and a further test of the impact of limiting this requirement to the social rented units only; and
 - h To consider the impact of changes in future house prices upon the deliverability of the Council's 50% affordable housing target.
- 2.2 In terms of methodology, we adopted standard residual valuation approaches to make appropriate comparisons and evaluations. However, due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that blanket requirements and conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis.

Background and experience

- 2.3 BNP Paribas Real Estate has extensive experience of advising local planning authorities on the viability of their proposed affordable housing policies. We have also advised local planning authorities, developers and landowners on scheme-specific viability issues, with particular focus on affordable housing and other Section 106 obligations. We have recently carried out similar benchmarking exercises for a number of local authorities, including Sheffield City Council, Bristol City Council, the London Boroughs of Brent, Islington, Lewisham, Hammersmith & Fulham, Southwark, Tower Hamlets and Wandsworth; Tunbridge Wells Borough Council; Fareham Borough Council; South Oxfordshire District Council and Vale of White Horse District Council.

Context

- 2.4 The Policy Context:

Paragraph 29 of Planning Policy Statement 3 ("PPS3") states that:

"In Local Development Documents, Local Planning Authorities should...set an overall (ie plan-wide) target for the amount of affordable housing to be provided. The target should reflect the new definition of affordable housing in this PPS. It should also reflect an assessment of the likely economic viability of land for

housing within the area, taking account of 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.”

- 2.5 The application of paragraph 29 of PPS3 was tested during the *Blyth Valley* case (Case Number C1/2008/1319) which concluded that local planning authorities cannot rely on housing needs surveys alone in setting their affordable housing targets. Blyth Valley Council had submitted its Core Strategy for examination prior to the publication of PPS3 and its affordable housing policy was based on evidence from its Housing Needs survey. At the time, there was no explicit requirement for councils to test the impact of their affordable housing policies on development economics (although some local authorities had undertaken such work prior to the publication of PPS3). Persimmon Homes and others challenged the soundness of the Core Strategy as the evidence base did not include a viability study that would satisfy the requirements of paragraph 29 of PPS3. This challenge was upheld.
- 2.6 The Council's housing needs survey 2009 highlights the affordability problems in many parts of Hackney, with very acute difficulties for people on low incomes. Consequently, there is a shortage of good quality affordable housing. The Council's approach has been to seek to ensure that the supply of affordable housing meets as much of the need as possible by negotiating the maximum possible provision on suitable sites.
- 2.7 There are two main ways in which this can be achieved:
- Increasing the overall affordable housing quantum to be secured through planning obligations; and/or
 - Lowering the site/development size thresholds above which affordable housing and other Planning Obligations are sought.
- 2.8 Pursuing such approaches will reduce the land value generated by residential schemes which may make other uses more attractive to landowners. Higher targets and additional planning obligation requirements then potentially reduce the supply of residential land, resulting in lower housing supply and, consequently, lower affordable housing delivery.

Thresholds

- 2.9 While Government has applied site size thresholds to affordable housing for some time, no threshold applies to other Planning Obligations. Circular 05/05 makes clear that small schemes can be required to contribute planning obligations.
- 2.10 PPS3 states that the national indicative minimum site size for requiring affordable housing is 15 units, although the London Plan sets a minimum of 10 of 10 units. However, the case for reducing site size thresholds for affordable housing is identified in PPS3, which enables local planning authorities to justify a case for reduction. Given that the Council's current policy is to deliver affordable housing on qualifying sites (10 or more units), it is necessary for this study to consider whether reducing thresholds and/or requiring some form of financial contribution towards affordable housing from smaller sites would generate more affordable housing units.

- 2.11 The Council could make such a case on the basis that a significant proportion of housing sites are below 10 units and affordable housing on such sites would make a significant contribution towards meeting housing need. However, this inevitably raises questions of viability. If such sites were unable to provide affordable housing due to an adverse impact on viability, a reduction in the threshold would be self-defeating (it would simply reduce housing supply). This question has to be addressed via financial appraisal. While there are economies of scale which apply to large sites that may not arise on small sites (lower per unit preliminaries and set up costs; and bulk material purchases and deliveries for example), smaller developments often achieve higher sales values than volume schemes. The main sections of this report therefore review the potential for a change in the site size threshold with specific reference to financial viability.

Economic and housing market context

- 2.12 Following a ten-year trend of growth in the housing market, house prices across England reached a peak in the second half of 2007 and the market entered a period of 'correction'. This correction of values gathered momentum during 2008, with the main commentators all reporting falls in values. The Halifax house price index showed an annual fall across England of 16.2% by the end of 2008. Similarly, the Nationwide showed an annual fall in prices of 15.9%. Prices of new build properties fell much further, with falls in some parts of England of up to 40% from peak 2007 values, as developers cut prices to complete sales to maintain cashflow.
- 2.13 A key cause of the downturn was the sub prime lending "credit crunch" in the US in the final quarter of 2007. The phenomenon spread to the UK, resulting in significant restrictions in lending criteria and has seen the government underwriting 'toxic' assets of the high street banks, leaving many buyers finding it too difficult or expensive to obtain the necessary financing to complete a transaction. However, the market had shown signs of weakening prior to the "credit crunch" following the impact of five interest rate rises over the previous two years. These factors, combined with a collapse in general market confidence, severely reduced the number of sales taking place in the market.
- 2.14 In October 2008 the government announced a £1 billion housing package in an attempt to revive the beleaguered market. The headline measures of the package included raising the stamp duty threshold to £175,000 and initiating a HomeBuy shared equity scheme for low income first time buyers. However, the measures were met with a lukewarm response from within the property sector. Whilst government action was welcomed, there was a general feeling that the measures proposed would do little to revive the market whilst mortgage liquidity remained constrained.
- 2.15 The acquisition by the government of preference shares in some of the major banks helped to restore some confidence. Recent months have also seen the Halifax, Nationwide and Land Registry reporting increases in house prices. While this is not regarded as a signal that the correction has necessarily run its course, it provides some early signals that the market may be bottoming out. There are concerns that the current stabilisation in prices is driven by limited supply, and that prices may fall if home owners who have delayed sales pending a recovery place their properties on the market. There is also a concern that unemployment will increase further, possibly resulting in repossessions. However, analysts predict that the market will recover to 2007 sales well within the first half of the plan period. Many analysts predict that values will start to recover from 2011 onwards.

- 2.16 This is a difficult context within which the Council must test its affordable housing policies. To reflect this difficulty, we have run our appraisals with a sensitivity analysis on future house prices, to demonstrate the impact of improved market conditions on the delivery of affordable housing.

Local Policy context

- 2.17 The Council approved its 'Core Strategy Proposed Submission Document and Proposals Map (and Schedule of Changes)' on 24 June 2009 for publication. Policy 20 of the Core Strategy document states the Council's intention to adopt a policy that requires developments of 10 or more units to meet "*a borough-wide affordable housing target of 50% of all units subject to site characteristics, location and overall scheme viability.*" The Core Strategy document indicates that LBH will adopt an affordable housing tenure mix in line with any London-wide target set by the Mayor of London.
- 2.18 Policy 20 indicates that the actual affordable housing mix, in terms of unit size and type of dwellings will be determined on a scheme-by-scheme basis, through a process of negotiation. In these negotiations, the Council will take account of scheme viability assessments and up to date assessments of housing need.

Development context

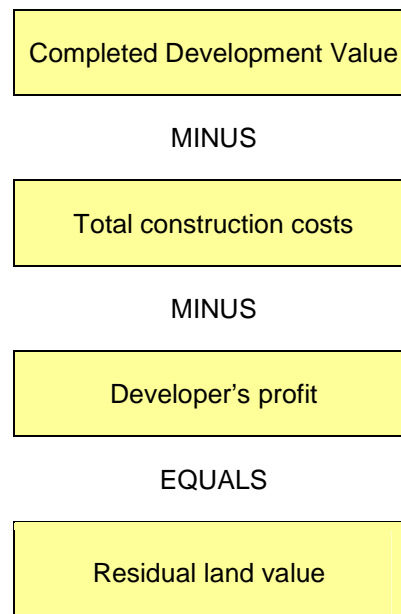
- 2.19 Developments in Hackney are diverse, reflecting its part 'city fringe/inner urban' and part suburban characteristics. Sites in Hackney range from estate regeneration schemes; major regeneration sites in former B1, B2 or B8 use; to small in-fill sites in residential areas. Over the past decade, the developments in have increased in density, with the densest schemes located in the southern half of Hackney, especially in areas close to current and future transport hubs. The extension of the East London Line from Bishopsgate to Dalston and on to Highbury and Islington has resulted in opportunities for major developments adjacent to new stations.
- 2.20 The focus of this study is upon private sector housing led developments. We are aware that there is a sizeable number of developments within Hackney that are estate regeneration schemes, including Woodberry Down, for example. The main question that this study therefore seeks to answer is 'how much affordable housing can a scheme provide?', rather than the very different question on estate regeneration schemes of 'how much private housing does this scheme require to cross-subsidise the re-provision of the existing affordable housing?'

3 Methodology

3.1 Our methodology follows standard development appraisal conventions, using assumptions that reflect local housing market and planning policy circumstances. The study is therefore specific to the London Borough of Hackney and reflects the policy requirements that the Council currently considers may be introduced over the plan period. Consequently, the study will need to be regularly reviewed to reflect revised policies, changes in the affordable housing regime and the level of other Planning Obligations. We have attempted to ensure that the study reflects longer term housing market trends, rather than focusing on the current low point in the cycle. As far as is possible, we have taken account of all these variables in carrying out this study.

3.2 The Approach to Financial Viability

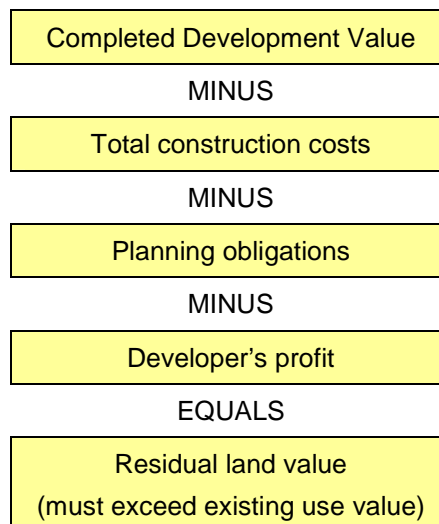
Development Appraisal models can be summarised via the following equation:



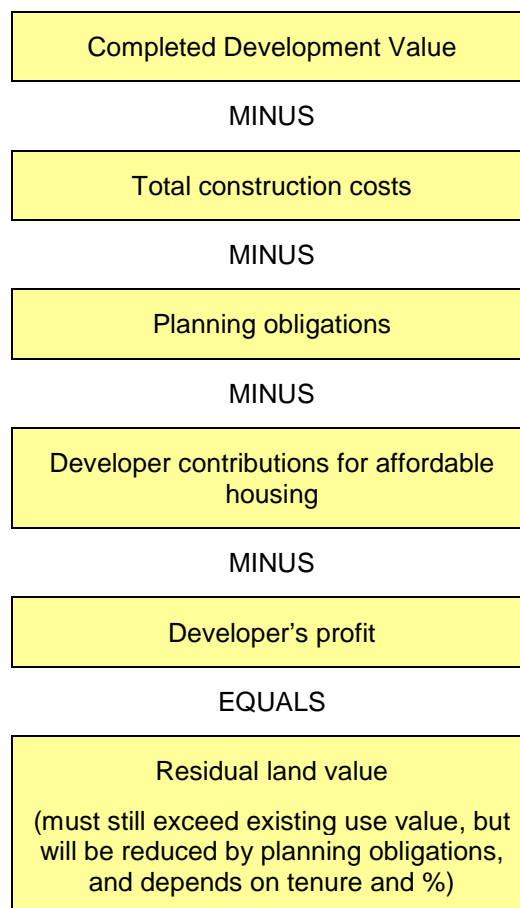
3.3 Residual Land Value – the sum that the developer will pay to the landowner to secure a site for development – will normally be the key variable. If a proposal generates sufficient positive land value, it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the 'gap' (and these will normally be particular to regeneration areas via public bodies such as the Homes and Community Agency).

3.4 The problems with Development Appraisals all stem from the requirement to identify the key variables – sales values, costs etc – with some degree of accuracy in advance of implementation of a scheme. Even on the basis of the standard convention that current values and costs are adopted (not values and costs on completion), this can be very difficult. Problems with key appraisal variables can be summarised as follows:

- Development costs are subject to extensive national and local monitoring and can be reasonably accurately assessed in 'normal' circumstances. In boroughs like Hackney, many sites will be previously developed. These sites may encounter 'exceptional' costs such as decontamination. Such costs can be very difficult to anticipate before detailed site surveys are undertaken. Clearly these surveys should be carried out prior to acquisition, wherever possible, in view of the high risks of exceptional costs being incurred on brownfield sites.
 - Development value and costs will also be significantly affected by assumptions about the nature and type of affordable housing provision and other Planning Obligations. In addition, on major projects, assumptions about development phasing; and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of the affordable units and/or other obligations are deferred, the less the real cost to the applicant (and the greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow.
 - While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the developer's profit level. While developer profit levels were typically around 15% of completed development value at the peak of the market in 2007, banks now require schemes to show a higher developer's profit to reflect the current risk profile. We do not know when and if developer profit levels may begin to fall back.
- 3.5 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's 'bottom line' will be achieving a residual land value that sufficiently exceeds 'existing use value' to make development worthwhile. For modelling purposes, we have assumed a benchmark 15% margin above EUV.
- 3.6 The following two diagrams summarise the outcomes of the residual valuation calculation.



- 3.7 The standard appraisal calculation shown above is reasonably clear, subject to the issues noted earlier in this section. However, the delivery of Planning Obligations, and in particular the provision of affordable housing, complicates the calculation by reducing Completed Development Value. The extent to which Completed Development Value is reduced depends on the percentage, tenure and funding of the affordable housing. On the assumption that other development costs remain unchanged, a reduced Completed Development Value resulting from the requirement to provide affordable housing results in a lower Residual Land Value.
- 3.8 With the exception of affordable housing – which is determined according to a Borough wide target – other planning obligations must be directly related to the scheme itself. The level of obligations can therefore vary between sites, depending on the needs created by the development and, for example, availability of places in pre-existing services, such as schools.



- 3.9 Developers will seek to mitigate the impact of 'unknown' development issues through the following strategies:
- When negotiating with the landowner, the developer will either attempt to reflect planning requirements in the offer for the land, or seek to negotiate an option to purchase, or complete a deal 'subject to planning' which will enable any additional costs arising (Planning obligations and affordable housing for example) to be passed on to the landowner. In competitive markets, such arrangements are not always possible. Ultimately, the landowner pays through reduced land value, providing the basic condition

for Residual Land Value to exceed existing use value (plus premium) is met; and/or,

- The developer will seek to build in sufficient contingency into the development appraisal to offset risks including, for example, design development where costs might be incurred to satisfy planning requirements or design coding etc. Again, building in such contingencies is not always possible in a competitive market.

3.10 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the existing use. Planning obligations required by local policy will be a cost to the scheme and impact on the residual land value. Ultimately, landowners cannot be forced to sell their land and some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on continued increases in sales values.

4 The Appraisal Exercise

Key appraisal variables

- 4.1 The key variables in any development appraisal are as follows:
- 4.2 **Sales values by area:** Sales values for residential and the investment value of commercial rents will vary between local authority areas (and within local authority areas) and are constantly changing. Developers will try to complete schemes in a rising or stable market, but movements in sales values are a development 'risk'. During times of falling house prices, local authorities may need to apply their policy requirements flexibly, or developers may cease bringing sites forward.
- 4.3 **Density:** Density is an important determinant of development value. Higher density development results in a higher quantum of units than a lower density development on the same site, resulting in an increase in gross development value. However, high density development often results in higher development costs, as a result of the need to develop taller buildings, which are more expensive to build than lower rise buildings. Planning obligations on higher density schemes will also be higher than on lower density schemes. It should not automatically be assumed that higher density development results in higher residual land values; while the gross development value of such schemes may be higher, this can be partially (or wholly) offset by increased build costs and higher planning obligations.
- 4.4 **Gross to net floor space:** The gross to net ratio measures the ratio of saleable space (ie the area inside residential units) compared to the total area of the building (ie including the communal spaces, such as entrance lobbies and stair and lift cores. The higher the density, the higher the gross to net floor space ratio; in taller flatted schemes, more floor space is taken up by common areas and stair and lift cores, and thus less space is available for renting or sale - and this will adversely affect the residual land value.
- 4.5 **Base construction costs:** While base construction costs will be affected by density and other variables such as flood risk, ground conditions etc., they are well documented and can be reasonably accurately determined in advance by the developer.
- 4.6 **Exceptional costs:** In boroughs like Hackney, clean, serviced and previously undeveloped sites are virtually non-existent. With the vast majority of schemes now coming forward on previously developed land, exceptional costs have become more common and need to be monitored carefully. Exceptional costs relate to works that are 'atypical', such as remediation of sites in former industrial use and that are over and above standard build costs. However, for the purposes of this exercise, it is not possible to provide a reliable estimate of what exceptional costs would be, as they will differ significantly from site to site. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. However, when the Council's affordable housing policy is applied to individual schemes, exceptional costs particular to each site will need to be taken into account in viability assessments.

- 4.7 **Developer's Profit:** Following the standard convention, developer profits are based on an assumed percentage on gross development value. While developer profit ranged from 15% to 17% of gross development value in 2007, banks currently require a scheme to show higher developer profits. Higher developer profit figures reflect levels of perceived and actual risk; the higher the potential risk, the higher the developer's profit margin in order to offset those risks. At the current time, development risk is high and we have therefore run our appraisals with a higher developer's profit level of 20%. However, it is possible that over the life of the Plan, the banks' requirements in terms of developer profit levels may change. If conditions improve, it is possible (but by no means guaranteed) that banks will relax their lending criteria and reduce the amount of developer's profit they require schemes to achieve. We have therefore adopted two levels of developer's profit in our appraisals; 20% (reflecting current market conditions where development risk is considered to be higher); and 15% (representing improved market conditions in which development risk is perceived to be lower).

Existing Use Value

- 4.8 Existing Use Value ("EUV") and Alternative Use Value ("AUV") are key considerations in the assessment of development economics. Clearly, there is a point where the Residual Land Value (what the landowner receives from a developer) that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, from relatively modest sums of under £2 million per hectare to £20 million per hectare or more. Similarly, subject to planning permission, a potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses. EUV / AUV is effectively a 'bottom line' in a financial sense and a therefore a key factor in this study.
- 4.9 In this study, we have adopted EUVs that most closely reflect the current use on the range of sites that typically come forward for development in Hackney, but also to show the range in EUVs (from low to high). The higher EUVs (i.e. offices, retail and industrial) also act as proxies for AUVs on sites not in those uses. In each case, our calculations assume that the landowner has made a judgement that the current use does not yield an optimum use of the site; for example, it has many fewer storeys than neighbouring buildings; or there is a general lack of demand for the type of space, resulting in low rentals, high yields and high vacancies. We would not expect a building which makes optimum use of a site and that is attracting a high rent to come forward for residential development, as residential value is unlikely to exceed existing use value in these circumstances.
- 4.10 Landowners will often consider a range of uses for their sites, not just residential, so AUVs will feature in their decision making process. By using a range of non-residential values in our assessment, we are able to determine how the value of residential development (with varying levels of affordable housing) compares to the alternative development types.

- 4.11 We refer to 'yields' in several places in this report. Yields form the basis of the calculation of a building's capital value, based on the net rental income that it generates. Yields are used to calculate the capital value of any building type which is rented, including both commercial and residential uses. Yields are used to calculate the number of times that the annual rental income will be multiplied to arrive at a capital value. Yields reflect the confidence of a potential purchaser of a building in the income stream (i.e. the rent) that the occupant will pay. They also reflect the quality of the building and its location, as well as general demand for property of that type. The lower the covenant strength of the occupier, and the poorer the location of the building, the greater the risk that the tenant may not pay the rent. If this risk is perceived as being high, the yield will be high, resulting in a lower number of years rent purchased (i.e. a lower capital value).
- 4.12 Over the past two years, yields for commercial property have 'moved out' (i.e. increased), signalling lower confidence in the ability of existing tenants to pay their rent and in future demand for commercial space. This has the effect of depressing the capital value of commercial space. However, as the economy recovers, we would expect yields to improve (i.e. decrease), which will result in increased capital values. Consequently, EUVs will increase, increasing the base value of sites that might come forward as potential residential sites, which may have implications for the delivery of affordable housing and other planning obligations.
- 4.13 Redevelopment proposals that generate residual land values below EUV are unlikely to be delivered. While any such thresholds are only a guide in 'normal' development circumstances, it does not imply that individual landowners, in particular financial circumstances, will not bring sites forward at a lower return or indeed require a higher return. It is simply indicative. If proven existing use value justifies a higher EUV than those assumed, then appropriate adjustments may be necessary. As such, Existing Use Values should be regarded as benchmarks rather than definitive fixed variables on a site by site basis.
- 4.14 The EUVs of the individual sites identified in this study therefore give a broad indication of likely land values across Hackney, but it is important to recognise that other site uses and values may exist on the ground.
- 4.15 In the very short term, some 'distressed sales' of land may result in very low land values, as existing owners seek to realise cash to cover their credit commitments. In some cases, administrators may instruct site sales. These sites might therefore be purchased by developers at low cost, making the delivery of affordable housing a more viable prospect (even at today's depressed unit sales values).

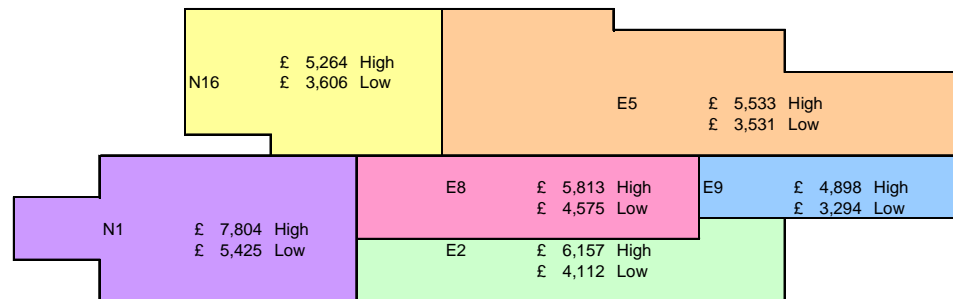
Specific Modelling Variables

- 4.16 This section summarises the particular assumptions used in the benchmarking exercise.

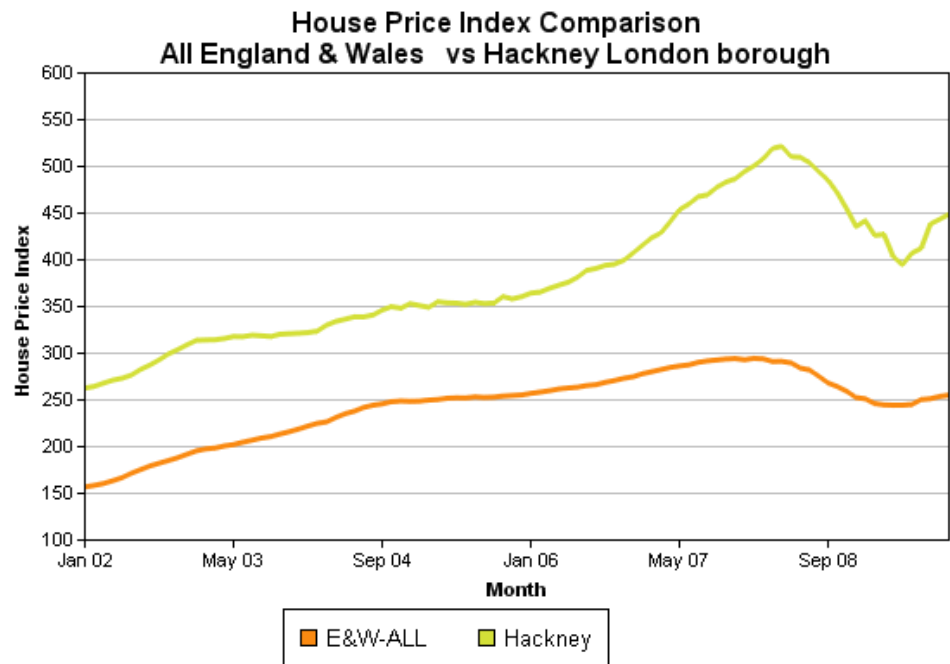
Sales Values

- 4.17 Residential values in Hackney reflect national trends in recent years but do of course vary across the Borough. Our research on transacted property values at a base date of November 2009 indicates that sales values range from £3,294 per sq m to £7,804 per sq m, as shown in table 4.17.1. Data is displayed by postcode area within Hackney. Within each postcode area, we show the range of values (low to high).

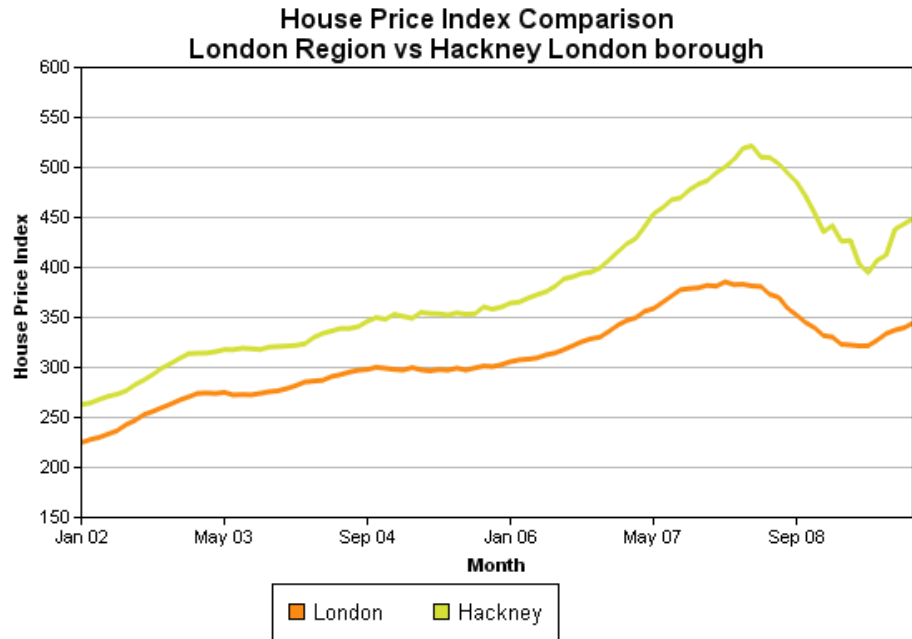
Table 4.1.7.1: Average sales values (November 2009)



- 4.18 Sales values have fallen over the past eighteen months but there is a widespread expectation that they will recover over the medium term (indeed, there are now early signs that the decline in prices may be coming to an end). Sales values achieved at the peak of the housing market cycle in late 2007/early 2008 were clearly higher and we would expect values to return to those levels over the next six to eight years. Our results are shown using both November 2009 values and values at the peak of the market in late 2007/early 2008, to provide an indication of levels of affordable housing that might be viable both in the current market and following a recovery.
- 4.19 Land Registry data on property transactions shows that values are recovering in Hackney at a faster rate than values across the whole of England and Wales. A similar picture emerges when comparing data in Hackney to Greater London. This indicates that the property market in Hackney is currently more resilient than in other parts of England and Wales, making it well placed to capitalise on any stronger recovery in future years.



Source: Land Registry



Source: Land Registry

Unit mix

- 4.20 The vast majority of schemes of over 10 units in Hackney are comprised of flats, rather than houses. We have adopted a unit mix that is comprised of flats, with the mixes shown in table 4.20. This mix complies with LBH's local mix requirements.

Unit type	Private (% of units)	Social rented (% of units)	Intermediate (% of units)
One bed	32	20	32
Two bed	20	35	52
Three bed	18	35	16
Four bed	30	10	0

All our testing consequently includes a very high proportion of family housing for sale (48%). As sales rates for private housing (on a per square foot or metre basis) tend to reduce with increasing size of unit, the mix above could be considered to be a worst case scenario. Viability would improve if the proportion of larger sized private units were reduced.

Density

- 4.21 We have run appraisals using the range of densities that are typically encountered across Hackney. Densities are assumed to range from 50 units per hectare – a modest suburban density – to 435 units per hectare – a high central urban density. The density bands are shown in table 4.21 below.

Table 4.21: Density of hypothetical developments

Density Band	Density units per hectare)
1	50
2	105
3	160
4	215
5	270
6	325
7	380
8	435

Gross to Net Floor space

- 4.22 The higher the density in a development, the greater the amount of communal space, which has to be provided, but generates no value. This is because flatted schemes require common areas and stair cores, whereas houses provide 100% 'saleable space'. In our model, as a greater quantum of denser flats is incorporated into the hypothetical development, the build costs increase, to reflect the cost of building the communal space in the blocks of flats.
- 4.23 In our model, we have adopted a gross to net ratio of 85%. This reflects the typical ratio in schemes that BNP Paribas Real Estate has valued or appraised on behalf of developers, banks and local authorities. The gross to net ratio is reflected in the build cost when measured on the total saleable area (i.e. the area that excludes common areas). For example, if a building is comprised of 10 flats each with a net internal area (i.e. the floorspace inside the flat itself) of 100 square metres, the total net area of the building is 1,000 square metres. However, when the entrance lobbies, corridors and stair cores are taken into account, the total floor area (what is known as the gross internal area) is 1,200 square metres. The net area is 83% of the gross area. If the build cost is £1,500 per square metre of gross internal floorspace, this equates to £1,800 per square metre per net square metre. This is an important distinction when considering whether a build cost is reasonable – the unit of measurement (i.e. gross or net) needs to be consistent.

Base Construction Costs

- 4.24 The modelling exercise plots a range of base construction costs reflecting scheme density ranging from £1,292 per square metre to £2,551 per square metre (net). These costs are drawn from the RICS Building Cost Information Service (BCIS) and subject to adjustment to take account of external works (which are excluded from the BCIS figures).

- 4.25 We also draw attention to a consensus among forecasters on the future trend of build costs, which are expected to fall significantly this year and in 2010. Savills, for example, have predicted a cumulative fall of 11%, while the RICS BCIS predicts a fall of 7% this year and 3% next year. This will help to improve viability over the next year to 18 months by offsetting some of the impact of falling values over the course of 2009 and possibly into 2010 (despite the recent positive house price data from Nationwide, many commentators still see downside risks to the economy which will place continued downwards pressure on house prices). However, in the medium term, build costs will increase in response to rising demand for materials and labour.
- 4.26 It is important to note that build costs could increase further should 'exceptional costs' arise. Such costs include decontaminating and remediating sites. As a result, costs need to be treated with caution and where normal levels are exceeded, the capacity of the site concerned to meet the Council's planning obligations will be affected.

Code for Sustainable Homes

- 4.27 Meeting the requirements of the Code for Sustainable Homes will result in increased costs above those required to meet Part L of the 2006 Building Regulations. We have relied on the Communities and Local Government/Cyril Sweet study ('Costs Analysis of the Code for Sustainable Homes – Final Report' July 2008) to estimate these additional costs. The uplift in costs above base construction costs used in the Cyril Sweet report are shown in table 4.27.

Table 4.2.7: uplift in base construction costs to meet CSH levels 3 to 6

Code Level	Private housing	Affordable housing
3	5%	5%
4	11%	11%
5	20%	20%
6	35%	35%

- 4.28 We have applied an uplift in costs of 5% for private housing (reflecting Code Level 3) and 11% for affordable housing (reflecting Code 4), the latter being a requirement set out in the Council's Core Strategy Policy 20.

Developer's profit

- 4.29 As noted in Section 3.1, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the developer's profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank to fund a scheme. In 2007, developer profit levels were at around 15-17% of Gross Development Value. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins have increased. It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit).

- 4.30 The views of the banks which fund development are more important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as developers do not necessarily carry sufficient cash to fund it themselves. Consequently, future movements in developer profit levels will largely be determined by the attitudes of the banks towards residential development.
- 4.31 The near collapse of the global banking system in the final quarter of 2008 is likely to result in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, the banks may not allow developer profit levels to decrease much lower than their current level, if at all.
- 4.32 The minimum generally acceptable developer profit level is currently around 20% of GDV. Our appraisals therefore show the viability of varying levels of affordable housing at both 15% and 20% developer profit on the private housing (and 6% of GDV on the affordable housing in both cases). A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RSL prior to commencement. A reduced developer profit level on the affordable housing reflects the Homes and Communities Agency's guidelines in its Economic Appraisal Tool.

Planning Obligations

- 4.33 Levels of Planning Obligations will vary according to needs arising from individual developments. The extent of any planning obligations will depend upon a number of factors, including child yield; availability of school places in the locality; trip generation and highways impacts and other related factors.
- 4.34 For the purposes of this study, we have modelled Planning Obligations at a base level of £8,000 per unit, with a sensitivity at £11,000 per unit, reflecting the potential for future increased requirements. In both cases, the contributions due on affordable housing are discounted by 50%. While we have modelled a range of obligations, the level of obligations sought from individual developments may be higher or lower than the levels indicated by these ranges.

Affordable housing values

- 4.35 At lower densities (where build costs are lower), social rented and intermediate housing can sometimes make a positive contribution to land value, subject to levels of grant available. However, at higher densities, the affordable housing does not always cover its costs and a subsidy from private housing is required.
- 4.36 We have valued the affordable housing on the basis of capitalising the net target rents (ie gross rents after deducting management and maintenance costs) and adding any public subsidy that might be available. The average values applied to the affordable housing (excluding any public subsidy) are £926 per square metre. Values for intermediate housing are linked to market values, so if market values are £6,867 per square metre, the intermediate housing value (excluding any public subsidy) would be £2,530 per square metre.
- 4.37 As intermediate housing is linked to market values, the values will be determined in part by varying market values. The values adopted for this tenure are based on notional assumptions that ensure that units comply with the Borough's affordability criteria. This effectively caps the price that an RSL can pay to a developer for a completed units.

- 4.38 PPS 3 Para 29 requires councils to take account in its viability assessment an “informed assessment of the likely level of finance available for affordable housing including public subsidy”. We have therefore run our appraisals both with and without Public subsidy. Where grant is assumed to be available, we have adopted the prevailing average grant rates of £29,394 per person for social rented units and £15,800 per person for intermediate units.

Existing use values

- 4.39 We have researched values of sites with a range of uses, which are likely to be brought forward for residential development in Hackney. These existing use types are shown in table 4.39 below.

Table 4.39: Existing use values

Property Type	Existing use value (£ millions per hectare)
Secondary office (B1)	20
Industrial (B2/B8)	12
Retail (A1- A5)	6
Community uses/LA owned land	2

- 4.40 The scope of our analysis was limited to secondary properties only, on the assumption that these are the most likely candidates for redevelopment. In the current market, there is very little transactional evidence and, where necessary, we have derived values from discussions with agents with experience in the area. In all cases, our values specifically exclude any hope value.

Other Influential Factors

- 4.41 **Variability of landowner attitudes:** Land markets need time to adapt to changing policy circumstances and landowners may have the choice to hold sites back and hope that policies change. Up until the recent housing market recession, a more common circumstance in areas of sharp price inflation has been fierce competition between developers. This resulted in some developers buying sites without consent on the expectation that rising capital values would offset risk. When the market turns, these developers find that they are unable to implement their schemes and cannot afford their infrastructure and affordable housing obligations.
- 4.42 Site specific circumstances may arise where the authority is obliged to weigh up perhaps conflicting policy requirements. On sites with an extensive requirement for decontamination, not all the Council’s planning requirements may be affordable. For example, an employment protection policy may require commercial space to be provided in a predominantly residential scheme. The commercial space is likely to have a negative or low value, which requires a cross subsidy from the private housing. This is likely to reduce the amount of subsidy available to provide affordable housing and other planning obligations.

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- 4.43 On larger schemes, perhaps phased over some years, developers will seek to agree terms on S106 and affordable housing at the outset. (Their driving factor will be the certainty, required to secure bank funding). In such circumstances, it is often in the authorities' interest to seek monitoring and review mechanisms in the S106 that will allow a renegotiation at some future date should it become necessary. The corollary to this is that, if the Authority expects to receive a share of the 'upside', it should also be prepared to accept a potential reduction in benefits should the market move the other way. Review mechanisms are now used frequently by authorities for larger schemes with multiple phases, particularly in the current housing market recession. There are various models in place, but the most typical is for the Developer to submit a fresh development appraisal with each reserved matters application. If values improve in a particular phase, to the extent that the developer profit increases above the agreed level, an increased proportion of affordable housing would be provided in that phase. The level of affordable housing in each phase and across the scheme could not exceed the relevant Authority's target percentage without the Developer's agreement.

5 Appraisal outputs

- 5.1 Before examining the illustrated outcomes, it is important to highlight the variables which may change the outputs – positively and negatively. They are shown in Table 5.

Table 5: Positive and negative impacts on appraisal outcomes

Positive impacts	Negative impacts
Net land value contribution from affordable housing (generally lower density schemes with low build costs only)	Net loss on affordable housing requiring cross subsidy from private housing
Increase in intermediate tenures may deliver a better receipt than social rented housing (not the case currently)	Public subsidy not available
Low and/or deferred Planning Obligations	High and/or up-front Planning Obligations
Historic land cost (minimal)	High Existing/Alternative Use Value
Availability of gap funding	Contamination or remediation costs

- 5.2 With these factors in mind, the tables in the following section summarise the key outputs of our development appraisals.

Presentation of data

- 5.3 The tables are constructed to provide the maximum amount of data in the same place to provide easy comparison. Each table shows a range of sales values (on the left hand side) and a range of densities (along the top row). For each density, we show the build costs. The appraisal outputs are compared with five different Existing Use Values, as described in paragraph 4.39 (offices; industrial/distribution/storage; retail; and community uses or local authority land).
- 5.4 Each cell in the first table of each set of data shows the residual land value of a hypothetical scheme (of a given density and at the relevant sales value). This residual value is then compared to each of the four different existing use values. Residual values are very sensitive to small changes in appraisal variables. Consequently, our test of viability allows for a 15% margin below EUV (where schemes are shown as marginally unviable). We also allow a 15% margin above EUV to reflect landowners' premium. In these sections of the tables, green symbols show where the residual land value of each hypothetical scheme exceeds EUV by a margin of at least 15%. Yellow symbols show where the residual value is between 15% below EUV and up to 14% above EUV. In these situations, the scheme is considered marginally viable. Red symbols show where the residual value of each scheme is more than 15% lower than EUV and is clearly unviable.
- 5.5 On the far right hand side of each table, we provide an indication of where the sales values fit within the six postcode areas in Hackney. These value bands have been drawn more widely than the values currently being achieved in those areas, reflecting values from the peak of the market in 2007, to provide an indication of viability when the market recovers.

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- 5.6 The full set of data tables are attached as Appendix 1, which also show the residual land values from which the symbols are derived. The data tables show the following variables:
- Affordable housing: 30%, 40% and 50% affordable housing;
 - A social rent to intermediate housing split of 70%:30% and 60%:40% social rent to intermediate housing;
 - Base Section 106 contributions of £8,000 per unit and an increased level of £11,000 per unit. In both cases, the affordable housing S106 contribution is discounted by 50%;
 - Code for Sustainable Homes level 3 for private housing and level 4 for the affordable;
 - 10% wheelchair units across all tenures; with a sensitivity testing on 10% of social rented units only;
 - Increase in EUV of 20%;
 - Increase in build costs of 10%; and
 - Each of the above with developer profit levels of 15% and 20% on GDV.
- 5.7 For each affordable housing percentage, there are 56 separate tables. Each table is comprised of 112 residual valuations, which are then analysed against four EUVs, providing a total of 448 individual assessments per page. The dataset for each affordable housing percentage therefore comprises some 25,000 separate calculations; and the entire dataset comprises 75,000 individual calculations.
- 5.8 An annotated version of the data output is provided on the following page.
- 5.9 We provide some examples of the results in the following sections to illustrate the layout of the tables. The full set of results can be found at Appendix 1. Examples 1 to 6 on the following pages illustrate a range of scenarios.

Guide to appraisal outputs

The appraisal outputs contain a series of tables, showing different scenarios (eg level of affordable housing, tenure mix, developer profit levels and planning obligations), as shown on the Index page. At the top of each page, we show the residual values from a series of hypothetical schemes, which are then compared to four different existing use values. The first table below shows the layout of the residual values:

Each cell shows the residual land value of a hypothetical scheme. For example, the cell we point to here is a 105 unit per ha scheme, with average sales values of £5,619 per sqm and build costs of £1,679 per sqm. The residual value is £11,906,355.

Density of scheme
(units per hectare)

Build costs per
square metre

Sales value
(per sq m)

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm	
Sales value per sm									Sales value per sm
£3,122	2,674,436	2,206,019	72,758	- 380,207	- 3,666,607	- 11,344,636	- 18,919,891	- 29,133,174	£3,122
£3,746	3,857,679	4,637,357	3,675,004	4,360,839	2,103,206	- 4,479,227	- 11,177,829	- 20,517,041	£3,746
£4,370	5,040,921	7,068,695	7,277,250	9,101,885	7,852,069	2,269,934	- 3,476,456	- 11,900,909	£4,370
£4,994	6,220,896	9,492,983	10,879,495	13,800,324	13,548,740	8,958,202	4,160,571	- 3,359,308	£4,994
£5,619	7,398,007	11,906,355	14,481,741	18,496,018	19,245,411	15,646,471	11,776,798	5,140,019	£5,619
£6,243	8,575,119	14,319,726	18,060,051	23,191,712	24,942,082	22,320,401	19,333,142	13,613,863	£6,243
£6,867	9,752,230	16,733,097	21,635,671	27,887,406	30,638,752	28,950,530	26,889,487	22,023,447	£6,867
£7,492	10,929,342	19,146,468	25,211,291	32,583,100	36,335,423	35,580,659	34,445,832	30,433,031	£7,492
£8,116	12,106,453	21,559,839	28,786,910	37,278,794	42,031,430	42,210,787	41,980,890	38,842,615	£8,116
£8,740	13,283,565	23,973,210	32,362,531	41,974,488	47,695,491	48,840,916	49,481,295	47,252,199	£8,740
£9,365	14,458,572	26,382,190	35,931,428	46,661,449	53,348,523	55,457,577	56,965,953	55,587,580	£9,365
£9,989	15,580,271	28,679,972	39,330,084	51,127,263	58,722,296	61,733,172	64,051,815	63,461,052	£9,989
£10,613	16,701,972	30,977,753	42,728,741	55,593,077	64,096,070	68,008,767	71,137,676	71,334,523	£10,613
£11,195	17,746,314	33,117,066	45,893,006	59,750,903	69,099,238	73,851,563	77,734,857	78,664,996	£11,195

These results are then compared to a series of existing use values, using a system of symbols. Green symbols show where the residual land value is 15% greater than the existing use value (and is therefore considered viable); yellow symbols show where the residual value is between 14% below EUV and 14% above EUV (and is considered marginal); and red symbols show where the residual value is 15% or greater less than EUV and is clearly unviable. A shaded bar has been added to illustrate how to interpret the results; at a sales value of £5,619 per square metre, schemes with densities of 105 to 325 units per hectare would be viable (or marginally viable) in parts of all postcode areas except E9 (in 2009 values) and in parts of all postcode areas at 2007 values.

Each cell in the table follows an identical pattern to the table on the previous page. The arrow points to a scheme of 105 units per ha, with average sales values of £5,619 per sqm and build costs of £1,679 per sqm. The residual value of that scheme (£11.9 million) is 2% lower than the EUV (£12.1 million). This scheme is judged as 'marginal', as the residual falls short of exceeding EUV by 15%.

Here, the arrow points to a scheme of 215 units per ha, with sales values of £6,243 per sqm and build costs of £1,938 per sqm. The residual value of the scheme is £23.2 million, comfortably exceeding EUV +15%. This scheme is assessed as 'viable' and represented by a green symbol.

Existing use value

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

These columns show where each postcode area fits within the range of sales values (August 2009 values and 2007 values)

RLVs less existing use value		Existing use value								Sales value per sq m		2009 market values		2007 market values	
Density - units/ha ->	Build costs ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph						
		£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm						
£3,122		☹	☹	☹	☹	☹	☹	☹	☹	£3,122					
£3,746		☹	☹	☹	☹	☹	☹	☹	☹	£3,746					
£4,370		☹	☹	☹	☹	☹	☹	☹	☹	£4,370					
£4,994		☹	☹	☹	☹	☹	☹	☹	☹	£4,994					
£5,619		☹	☹	☹	☹	☹	☹	☹	☹	£5,619					
£6,243		☹	☹	☹	☹	☹	☹	☹	☹	£6,243					
£6,867		☹	☹	☹	☹	☹	☹	☹	☹	£6,867					
£7,492		☹	☹	☹	☹	☹	☹	☹	☹	£7,492					
£8,116		☹	☹	☹	☹	☹	☹	☹	☹	£8,116					
£8,740		☹	☹	☹	☹	☹	☹	☹	☹	£8,740					
£9,365		☹	☹	☹	☹	☹	☹	☹	☹	£9,365					
£9,989		☹	☹	☹	☹	☹	☹	☹	☹	£9,989					
£10,613		☹	☹	☹	☹	☹	☹	☹	☹	£10,613					
£11,195		☹	☹	☹	☹	☹	☹	☹	☹	£11,195					

Dataset 1: 50% affordable; 70% / 30% tenure split; 15% Developer's profit; with public subsidy; £8,000 per private unit S106 obligations; £4,000 per affordable units S106 obligations; 10% wheelchair units (all tenures)

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value £20,182,500 per hectare
£8,171,053 per acre Secondary offices

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value £12,109,500 per hectare
£4,902,632 per acre Retail

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value £6,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value £2,000,000 per hectare
£809,717 per acre LPA land / community uses

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 2: As per Dataset 1, but with no grant

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value **£20,182,500 per hectare** **Secondary offices**
£8,171,053 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£12,109,500 per hectare** **Retail**
£4,902,632 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£6,078,494 per hectare** **Industrial**
£2,460,929 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£2,000,000 per hectare** **LPA land / community uses**
£809,717 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 3: 50% affordable; 70% / 30% tenure split; 20% Developer's profit; with public subsidy; £8,000 per private unit S106 obligations; £4,000 per affordable unit S106 obligations; 10% wheelchair units (all tenures)

RLVs less existing use value **£20,182,500 per hectare** **£8,171,053 per acre** **Secondary offices**

Key to market value indicators

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£12,109,500 per hectare** **£4,902,632 per acre** **Retail**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value per sq m									Sales value per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£6,078,494 per hectare** **£2,460,929 per acre** **Industrial**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£2,000,000 per hectare** **£809,717 per acre** **LPA land / community uses**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value per sq m									Sales value per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 4: As Dataset 3, but no grant

RLVs less existing use value **£20,182,500 per hectare** **£8,171,053 per acre** **Secondary offices**

Key to market value indicators
■ N1/EC2
■ E2
■ E8
■ E9
■ E5
■ N16

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph		Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m												
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£12,109,500 per hectare** **£4,902,632 per acre** **Retail**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph		Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m												
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£6,078,494 per hectare** **£2,460,929 per acre** **Industrial**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph		Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m												
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£2,000,000 per hectare** **£809,717 per acre** **LPA land / community uses**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph		Sales value £per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m												
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 5: As Dataset 3, but EUV increased by 20%

RLVs less existing use value

£24,219,000 per hectare
£9,805,263 per acre

Secondary offices

Key to market value indicators
■ N1/EC2
■ E2
■ E8
■ E9
■ E5
■ N16

Sales value £per sq m	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value

£14,531,400 per hectare
£5,883,158 per acre

Retail

Sales value £per sq m	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value

£7,294,193 per hectare
£2,953,115 per acre

Industrial

Sales value £per sq m	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value

£2,000,000 per hectare
£809,717 per acre

LPA land / community uses

Sales value £per sq m	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 6: As Dataset 3, but build costs increased by 10%

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value **£20,182,500 per hectare** **Secondary offices**
£8,171,053 per acre

Density - units/ha ->	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£12,109,500 per hectare** **Retail**
£4,902,632 per acre

Density - units/ha ->	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£6,078,494 per hectare** **Industrial**
£2,460,929 per acre

Density - units/ha ->	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£2,000,000 per hectare** **LPA land / community uses**
£809,717 per acre

Density - units/ha ->	Build costs ->								Sales value £per sq m	2009 market values	2007 market values
	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m											
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Dataset 7: 50% affordable; 60% / 40% tenure split; 20% Developer's profit; with public subsidy; £8,000 per private unit S106 obligations; £4,000 per affordable units S106 obligations; 10% wheelchair units (all tenures)

RLVs less existing use value £20,182,500 per hectare
£8,171,053 per acre Secondary offices

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph				
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m										Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122			
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746			
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370			
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994			
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619			
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243			
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867			
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492			
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116			
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740			
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365			
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989			
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613			
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195			

RLVs less existing use value £12,109,500 per hectare
£4,902,632 per acre Retail

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph				
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m										Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122			
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746			
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370			
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994			
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619			
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243			
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867			
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492			
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116			
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740			
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365			
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989			
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613			
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195			

RLVs less existing use value £6,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph				
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m										Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122			
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746			
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370			
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994			
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619			
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243			
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867			
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492			
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116			
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740			
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365			
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989			
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613			
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195			

RLVs less existing use value £2,000,000 per hectare
£809,717 per acre LPA land / community uses

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph				
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm				
Sales value £per sq m										Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122			
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746			
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370			
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994			
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619			
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243			
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867			
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492			
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116			
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740			
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365			
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989			
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613			
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195			

Dataset 8: As dataset 7, but no grant

RLVs less existing use value **£20,182,500 per hectare** **£8,171,053 per acre** **Secondary offices**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£12,109,500 per hectare** **£4,902,632 per acre** **Retail**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£6,078,494 per hectare** **£2,460,929 per acre** **Industrial**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value **£2,000,000 per hectare** **£809,717 per acre** **LPA land / community uses**

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

6 Small sites analysis

6.1 Small sites below the qualifying threshold

6.2 As noted in section 2.17, the Council is proposing an affordable housing threshold of 10 units or more.

We have tested the financial viability of delivering affordable housing on smaller sites using the following variables:

- Developments of between 5 and 15 units;
- Development constructed as a flatted scheme;
- Existing Use Value – a range reflecting the 'typical' small sites that are developed for schemes of 15 units or less; single residential properties; small builders merchants' yards; and residential backlands.

6.3 The hypothetical small schemes are run with the same range of sales values used in the appraisals of larger sites, as described in section 4.3.1. The build cost rate for the units is assumed at semi and detached houses (£1,506 per square metre) is increased by around 15% to reflect the lack of economies of scale achieved on larger sites and to reflect the generally more bespoke nature of small developments.

Reduction in affordable housing threshold

6.4 If the practical difficulties associated with on-site development of affordable housing on small sites can be overcome, we then need to examine whether it would be financially viable to require sites of less than 10 units to make provision for on-site affordable housing. The Council has been operating a 10 unit threshold for some time, and this is also the position adopted in the London Plan.

6.5 The appraisal method used to test the ability of smaller sites to provide affordable housing is identical to the method used for larger sites. The hypothetical schemes are run with 15, 13, 10, 9, 8, 7, 6 and 5 units, with a range of sales values. The residual land values from each hypothetical scheme is then compared to the three different existing use values identified in section 6.2 above. We have assumed that the development would be constructed as a mix of flats.

6.6 Tables 6.6.1, 6.6.2 and 6.6.3 show the residual values generated by the schemes, with a 30%, 40% and 50% affordable housing requirement.

6.7 Our assumptions for the three EUVs are as follows:

6.8 **EUV 1:** Single house for redevelopment or conversion (for smaller schemes): the site would need to be sufficiently large to accommodate up to 15 flats. Based on our search of the local property market, we have adopted an indicative value of £1.75 million (at the 15 unit end of the scale), ranging to £0.65 million for developments at the smaller scheme end of the scale.

- 6.9 **EUV 2:** Builders merchants' yards: we have assumed that a builder's merchant yard could be purchased for between £0.47 million (for a site of 0.08 ha to accommodate a 5 unit scheme) and £1.4 million (for a site to accommodate a 15 unit scheme). These are estimates only as the actual purchase price of such plots would be influenced by a range of factors; the extent to which an owner of such a site may be prepared to dispose of his/her site would depend on the current level of trade and (if the business intends to continue trading) whether alternative premises can be purchased with the sum received, leaving a sufficient sum as a reward for moving.
- 6.10 **EUV 3:** Residential backlands: placing a value on residential backlands is difficult and depends on the extent to which individual owners can be persuaded to dispose of part of their gardens. The site purchase cost we have assumed of between £0.4 million and £0.98 million (depending on size of development) can be regarded only as a high level indication of how much it might cost to purchase suitable sites from owners. In some parts of Hackney, the sums suggested here may be insufficient to incentivise individual owners to dispose of parts of their gardens.
- 6.11 Table 6.11 shows the results of our appraisals of small sites using a similar presentational approach to the larger site appraisals in Section 5. This first set of results shows the results of the appraisals with 30% affordable, to provide an indication of the likely viability of such sites under the existing threshold of 10 units. Moving across the table columns from left to right, the size of scheme increases from five units to fifteen units. This table indicates that smaller schemes will be more viable on sites with lower existing use values and with higher sales values. In this respect, the results for the small site appraisals are no different from the larger sites. It is also evident that viability of sites is fairly uniform, regardless of the number of units.
- 6.12 Table 6.12 shows the results with a requirement for 40% affordable, which would result in a deterioration in viability, in comparison to the results where 30% affordable housing is provided. This is a pattern that we would expect to see.
- 6.13 Finally, table 6.13 shows the impact of a 50% affordable housing requirement on scheme viability, again resulting in a further deterioration against the 30% and 40% results.
- 6.14 There are many circumstances where affordable housing could be delivered below the current thresholds of 10 units without adversely affecting development viability. We return to small sites later in this report, but it is clear that the results provide a robust justification for the Council's proposed threshold of 10 units.

Table 6.11 30% affordable housing (20% developer's profit and S106 contributions of £8,000 per private unit and £4,000 per affordable unit; and CSH Level 3 for private and Level 4 for affordable) – with grant

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value		Existing residential house									
EUV	650,000	700,000	850,000	950,000	1,050,000	1,250,000	1,500,000	1,750,000			
Density - units/ha ->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£5,619		
£6,243	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,243		
£6,867	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,867		
£7,492	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£7,492		
£8,116	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,116		
£8,740	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,740		
£9,365	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,365		
£9,989	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,989		
£10,613	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£10,613		
£11,195	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£11,195		

RLVs less existing use value		Builders' merchants yard									
EUV	467,576	561,092	654,607	748,122	841,638	935,153	1,215,699	1,402,729			
Density - units/ha ->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£4,994		
£5,619	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£5,619		
£6,243	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,243		
£6,867	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,867		
£7,492	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£7,492		
£8,116	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,116		
£8,740	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,740		
£9,365	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,365		
£9,989	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,989		
£10,613	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£10,613		
£11,195	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£11,195		

RLVs less existing use value		LPA Land/Community uses									
EUV	400,000	425,000	475,000	525,000	625,000	725,000	825,000	975,000			
Density - units/ha ->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Build costs ->	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£4,370		
£4,994	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£4,994		
£5,619	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£5,619		
£6,243	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,243		
£6,867	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£6,867		
£7,492	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£7,492		
£8,116	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,116		
£8,740	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£8,740		
£9,365	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,365		
£9,989	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£9,989		
£10,613	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£10,613		
£11,195	⊙	⊙	⊙	⊙	⊙	⊙	⊙	⊙	£11,195		

Table 6.12 40% affordable housing (20% developer's profit and S106 contributions of £8,000 per private unit and £4,000 per affordable unit; and CSH Level 3 for private and Level 4 for affordable) – with grant

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value		Existing residential house										
EUV		650,000	700,000	850,000	950,000	1,050,000	1,250,000	1,500,000	1,750,000			
Density - units/ha ->	Build costs->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Sales value £per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value		Builders' merchants yard										
EUV		467,576	561,092	654,607	748,122	841,638	935,153	1,215,699	1,402,729			
Density - units/ha ->	Build costs->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Sales value £per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

RLVs less existing use value		LPA Land/Community uses										
EUV		400,000	425,000	475,000	525,000	625,000	725,000	825,000	975,000			
Density - units/ha ->	Build costs->	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units			
Sales value £per sq m	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm	£1507 per sqm			
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Table 6.13 50% affordable housing (20% developer's profit and S106 contributions of £8,000 per private unit and £4,000 per affordable unit; and CSH Level 3 for private and Level 4 for affordable) – with grant

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

Sales value £per sq m	RLVs less existing use value EUV								Existing residential house		Sales value £per sq m	2009 market values	2007 market values
	650,000	700,000	850,000	950,000	1,050,000	1,250,000	1,500,000	1,750,000	10 units	13 units			
£3,122	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units	£1507 per sqm	£1507 per sqm	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Sales value per sq m	RLVs less existing use value								Builders' merchants yard		Sales value per sq m	2009 market values	2007 market values
	467,576	561,092	654,607	748,122	841,638	935,153	1,215,699	1,402,729	10 units	13 units			
£3,122	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units	£1507 per sqm	£1507 per sqm	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Sales value £per sq m	RLVs less existing use value								LPA Land/Community uses		Sales value £per sq m	2009 market values	2007 market values
	400,000	425,000	475,000	525,000	625,000	725,000	825,000	975,000	10 units	13 units			
£3,122	5 units	6 units	7 units	8 units	9 units	10 units	13 units	15 units	£1507 per sqm	£1507 per sqm	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

7 Assessment of the results

7.1 This section needs to be read in conjunction with the tabular / graphical presentation in Appendix 1 (with a few examples shown in the preceding sections). In these tables, the residual land values are calculated for scenarios with different sales values and densities of development, and then compared with existing use values. The tables show the outputs of our appraisals using the variables set out in Section 4.

Assessment

7.2 The tables in Appendix 1 demonstrate that the delivery of 50% affordable housing (in combination with other planning obligations as noted above) is generally achievable on the types of sites coming forward for development. Sites with lower EUVs (in particular community uses) appear to be most able to meet the 50% target.

7.3 The two extracts from the appraisal results illustrate the importance of EUV in determining viability. Both extracts show a 50% affordable housing requirement with base Section 106 costs and grant for the affordable housing.

Key to market value indicators

- N1/EC2
- E2
- E8
- E9
- E5
- N16

RLVs less existing use value £20,182,500 per hectare Secondary offices
£8,171,053 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£3,122		
£3,746	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£3,746		
£4,370	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£4,370		
£4,994	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£4,994		
£5,619	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£5,619		
£6,243	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,243		
£6,867	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,867		
£7,492	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,492		
£8,116	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,116		
£8,740	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,740		
£9,365	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,365		
£9,989	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,989		
£10,613	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£10,613		
£11,195	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£11,195		

7.4 The extract above shows the viability of a 50% affordable housing requirement on a site in existing office use. The blue bar shows the postcode areas in which schemes would be viable at a density of 270 units per hectare (and marginally viable at 215 and 325 units per hectare). Such schemes would only be viable in the N1 and EC2 postcode areas.

7.5 However, the picture is very different when the existing use is an industrial site, as shown in the extract below. The blue bar again shows where the affordable housing target could be achieved. At densities of 160 to 270 units per hectare, the policy could be delivered with grant in all postcodes in the current market.

RLVs less existing use value £6,078,494 per hectare Industrial
£2,460,929 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£3,122		
£3,746	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£3,746		
£4,370	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£4,370		
£4,994	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£4,994		
£5,619	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£5,619		
£6,243	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,243		
£6,867	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£6,867		
£7,492	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£7,492		
£8,116	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,116		
£8,740	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£8,740		
£9,365	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,365		
£9,989	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£9,989		
£10,613	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£10,613		
£11,195	⊕	⊕	⊕	⊕	⊕	⊕	⊕	⊕	£11,195		

- 7.6 Table 7.6 summarises the full set of results that can be found at Appendix 1. The summary table shows the results across the full range of sales values (£3,112 to £11,195 per square metre, reflecting the lowest value in the current market and the beyond the highest value in the 2007 market), on a 215 unit per hectare scheme. The results assume Section 106 contributions of £8,000 per private unit and £4,000 per affordable unit; and a developer's profit margin of 20% (reflecting current housing market conditions).
- 7.7 The results are split between the four existing use values and show the maximum viable proportion of affordable housing with and without grant, at each sales value.

Table 7.6: Maximum viable proportions of affordable housing

Density of 215 units per hectare; 70% social rent and 30% intermediate; 20% developer's profit; CSH Level 3 on private housing and 4 on affordable tenures; base Section 106 contributions (£8,000 per private unit with 50% discount for affordable)

Values per sq m	High EUV site (Office)		Medium EUV (Retail)		Medium EUV site (Industrial/Storage/Distribution)		Low EUV (community or local authority land)	
	Grant	No Grant	Grant	No Grant	Grant	No Grant	Grant	No Grant
£3,122	>30%	>30%	>30%	>30%	>30%	>30%	>30%	>30%
£3,746	>30%	>30%	>30%	>30%	>30%	>30%	50% m	>30%
£4,370	>30%	>30%	>30%	>30%	50% m	>30%	50%	>30%
£4,994	>30%	>30%	30% m	>30%	50%	30% m	50%	40%
£5,619	>30%	>30%	50% m	30% m	50%	40% m	50%	50%
£6,243	40% m	>30%	50%	40% m	50%	50% m	50%	50%
£6,867	50% m	30% m	50%	40%	50%	50%	50%	50%
£7,492	50% m	40% m	50%	50% m	50%	50%	50%	50%
£8,116	50%	40% m	50%	50%	50%	50%	50%	50%
£8,740	50%	50% m	50%	50%	50%	50%	50%	50%
£9,365	50%	50% m	50%	50%	50%	50%	50%	50%
£9,989	50%	50%	50%	50%	50%	50%	50%	50%

NV = Not viable

m = marginal (i.e. between 15% above and 15% below EUV)

- 7.8 The summary tables show a variance in the results between the different types of existing use, as is to be expected. The existing use values used in our analysis range from £2 million to £20 million per hectare, which the schemes must exceed to be considered viable. In the current market, table 7.1.1 indicates that the proposed affordable housing target of 50% could only be achieved on high existing use value sites in areas with the sales values at the higher end of the range. On sites with medium EUVs, the 50% affordable housing target would be viable in areas with sales values more towards the middle of the range. However, as values increase back towards their 2007 levels, more areas at the lower end of the range will move into the zones where the targets are financially viable.
- 7.9 High levels of affordable housing (i.e. 50%) are more readily achievable on sites in low value uses. On sites with low existing use values (community uses), 50% affordable could be achieved in all but the very lowest value bands. The position improves at 2007 sales values compared to 2009 values.
- 7.10 There are two further important caveats to the results:
- 7.11 As noted previously, residual land values need to exceed Existing Use Value to be considered viable. There may be site specific circumstances where these EUV benchmarks may be higher or lower. While a higher existing use value requires a commensurate higher residential sales value, in many circumstances, this will still be viable. However, higher density schemes are more vulnerable to existing use value requirements due to their higher build costs and greater contribution towards planning obligation in comparison to low density schemes.
- 7.12 That schemes coming forward do not incur considerable exceptional development costs. Extensive decontamination, for example, would require significant expenditure, which could have a considerable impact on the residual land value. In these particular circumstances, the council's requirements for affordable housing may not be deliverable at the target level of 50%.

Impact of varying the developer's profit

- 7.13 The tables at Appendix 1 clearly show the impact of movements in developer's profit on the viable quantum of affordable housing. The impact of changes in the developer profit level has a modest effect upon the outcomes on affordable housing delivery. Two extracts from the results below provide a direct comparison of viability with a 15% and 20% developer profit (all other variables in the table are identical). Extract 1 below assumes 15% developer's profit, while extract 2 assumes 20% developer's profit. While the range of viable schemes increases when developer profit is lower, the impact is relatively modest.
- 7.14 While the actual residual values decline when a 20% developer's profit is required, the changes are not sufficiently significant to change the pattern of viable and unviable schemes in the tables.

Extract 1: Schemes with 15% developer's profit

RLVs less existing use value £5,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1282 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value Eper sq m									Sales value Eper sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Extract 2: Schemes with 20% developer's profit

RLVs less existing use value £6,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1282 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value Eper sq m									Sales value Eper sq m	2009 market values	2007 market values
£3,122	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,122		
£3,746	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£3,746		
£4,370	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,370		
£4,994	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£4,994		
£5,619	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£5,619		
£6,243	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,243		
£6,867	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£6,867		
£7,492	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£7,492		
£8,116	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,116		
£8,740	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£8,740		
£9,365	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,365		
£9,989	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£9,989		
£10,613	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£10,613		
£11,195	⊗	⊗	⊗	⊗	⊗	⊗	⊗	⊗	£11,195		

Impact of the imposition of higher Section 106 requirements

- 7.15 By comparing the two data extracts below, we can determine the impact of the imposition of a possible future requirement for increased Section 106 contributions. Extract 1 shows the base position (i.e. £8,000 per private unit with a 50% discount for affordable units). Extract 2 shows the impact on viability of a change in obligations to £11,000 per private, with a 50% discount for affordable units.
- 7.16 As with developer's profit, the impact on the quantum of affordable housing on low value sites is limited. There is a slight deterioration in viability, with marginally viable schemes pushed up into the next sales value band (as highlighted by the blue band overlaying the table). This suggests that the imposition of increased Section 106 requirements is unlikely to be a major determinant in scheme viability.

Extract 1: Base section 106 contributions of £8,000 per private unit with 50% discount for affordable units

RLVs less existing use value £6,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Extract 2: Increased total contributions (£11,000 per private unit with 50% discount for affordable units)

RLVs less existing use value £6,078,494 per hectare
£2,460,929 per acre Industrial

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value £per sq m									Sales value £per sq m	2009 market values	2007 market values
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Impact of grant availability

- 7.17 Our appraisals are tested on the assumption that the affordable housing will be provided with Social Housing Grant. As the availability of grant cannot be guaranteed over the entire plan period, we have also tested the schemes without grant. The impact of grant funding on the viable proportions of affordable housing can be seen clearly in Table 7.6.

Impact of increase in EUVs

- 7.18 We have also considered the impact of an increase in Existing Use Values, above the levels assumed in our appraisals. This might reflect a situation where, for example, there is a shortage in office space, which would result in an increase in rents for secondary space.
- 7.19 The two extracts from the dataset below show the impact on scheme viability of a 20% increase in the four EUVs. All other variables in the two extracts are identical.
- 7.20 The two extracts indicate that the impact of an increased EUV is not significant and should not give rise to any change in the general conclusions drawn from the data.

Extract 1: Viability with base EUVs

RLVs less existing use value £12,109,500 per hectare Retail
£4,902,632 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value per sq m											
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Extract 2: Viability with EUVs increased by 20%

RLVs less existing use value £14,531,400 per hectare Retail
£5,883,158 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value per sq m											
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Impact of increase in build costs

- 7.21 Finally, we have tested the impact of 10% increase in build costs. Long term growth in sales values has historically more than cancelled out increases in build costs, although this trend does not necessarily apply to new requirements.
- 7.22 Extract 1 below shows a base position with current assumptions on build costs, while extract 2 shows the position resulting from a 10% increase over base build costs. The increased build cost does not have a significant impact on viability and could be accommodated in the context of increasing values over the medium term.

Extract 1: Base build costs

RLVs less existing use value £6,078,494 per hectare Industrial
£2,460,929 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph	Sales value per sq m	2009 market values	2007 market values
Build costs ->	£1292 per sqm	£1679 per sqm	£1894 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value per sq m											
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Extract 2: Base build costs plus 10%

RLVs less existing use value £5,078,494 per hectare Industrial
£2,469,929 per acre

Density - units/ha ->	50 uph	105 uph	160 uph	215 uph	270 uph	325 uph	380 uph	435 uph			
Build costs ->	£1282 per sqm	£1679 per sqm	£1834 per sqm	£1938 per sqm	£2013 per sqm	£2228 per sqm	£2368 per sqm	£2551 per sqm			
Sales value Eper sq m									Sales value Eper sq m	2009 market values	2007 market values
£3,122	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,122		
£3,746	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£3,746		
£4,370	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,370		
£4,994	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£4,994		
£5,619	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£5,619		
£6,243	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,243		
£6,867	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£6,867		
£7,492	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£7,492		
£8,116	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,116		
£8,740	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£8,740		
£9,365	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,365		
£9,989	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£9,989		
£10,613	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£10,613		
£11,195	⊖	⊖	⊖	⊖	⊖	⊖	⊖	⊖	£11,195		

Affordable housing threshold

- 7.23 The Council's Core Strategy Proposed Submission applies London Plan requirements in relation to a 10 unit threshold above which affordable housing will be required in across Hackney.
- 7.24 If the practical difficulties associated with on-site development of affordable housing on very small sites can be overcome, we then need to examine whether it would be financially viable to require sites of less than 10 units to make provision for on-site affordable housing or an equivalent financial contribution towards off-site provision of affordable housing.
- 7.25 The results indicate that a requirement for 50% affordable housing on sites of less than 10 units is unlikely to adversely affect financial viability, as viability does not deteriorate as site size decreases.
- 7.26 We would therefore not rule out the possibility that some smaller schemes on might be able to make a contribution towards on-site affordable housing. The key factors would be the price at which any existing owner occupier or other occupier would demand to move away. In some cases, the price an occupier may demand could be too high to enable a residential scheme to provide affordable housing. If the threshold were to be reduced, individual site viability testing would be essential to ensure that the supply of housing land is not reduced. This suggests that every applicant not complying with the policy would be required to submit a financial appraisal that planning officers would need to assess. If planning officers do not have the capacity to undertake such assessments, external advice may be required and would need to be funded by the developer, as is the case now for sites that exceed the threshold and cannot meet the policy level of affordable housing. The work involved might place an additional burden upon officers and applicants and could slow down the determination of applications on smaller sites.
- 7.27 While our general conclusion is that sites of less than 10 units appear to be capable of viably delivering up to 50% affordable housing in some (but certainly not all) circumstances, the Council would need to apply any requirement sensitively. The existing use of a site changes this conclusion significantly, with sites currently in residential use unlikely to achieve significant levels of affordable housing unless sales values are high.

8 Conclusions

- 8.1 Hackney has a significant shortage of affordable housing. Affordable housing policy requirements are clearly based on need proven through the Council's Housing Need Survey 2009.
- 8.2 This report examines, in terms of financial viability, the potential for development sites in Hackney to deliver affordable housing at varying percentages and mixes, while also securing other planning obligations at current and possible future levels. By comparing the residual land values generated by our appraisals to a range of existing use values, we can determine whether residential development is likely to come forward, with a target of 50% affordable housing and other planning requirements. An important caveat to the results is that they have not taken account of any site specific exceptional costs and, where these arise, they may override our conclusions. This underlines the importance of rigorous testing of individual site viability appraisals.

Key question 1: on sites of 10 units or more, do the appraisal results provide support for a 50% affordable housing target?

- 8.3 It is important to consider the affordable housing target in its proper context – it is a *strategic target* for delivery from all sites in Hackney, some of which may deliver more than 50% affordable housing. The number of units coming through RSL led schemes will also be important as not every Section 106 site will be able to deliver the affordable housing target at all times over the plan period. It would appear sensible to us that the Council adopt a 50% affordable housing target on S106 sites, which should be applied sensitively, taking full account of individual site circumstances, including financial viability. This is essential, as the results of our appraisals indicate that 50% affordable is unlikely to be viable in all market conditions over the plan period and in all areas across Hackney. For example, Table 7.6 shows that the 50% target would be viable assuming development at 215 units per hectare in all sub market areas, on sites in low value existing uses; and in many postcode areas on sites with medium existing use values. In cases where the policy is currently not viable, the policy would need to be applied flexibly (or public subsidy introduced) until values recover or other factors assist in improving viability (e.g. a reduction in interest rates or falling build costs).
- 8.4 Adopting a lower target than 50% could lead to a reduction in potential affordable housing delivery. Table 7.6 indicates that a 30% affordable housing target would increase the range of viable scenarios only very marginally. However, if LBH were to adopt a 30% target, this would act as a cap. It would be difficult for the Borough to seek to negotiate higher levels of affordable housing on individual sites, even if they could viably provide more than 30%. This would result in an overall reduction in potential affordable housing supply.
- 8.5 The results thus suggest that the delivery of 50% affordable housing on every single site coming forward for development in Hackney is currently (and is likely to continue to be) an ambitious target that some of the sites coming forward will be unable to achieve. This is no different from other local authority areas, where some sites are able to meet the respective Council's strategic affordable housing target and others are not, due to site specific circumstances and the cyclical nature of the housing market. However, the Council's policy is drafted with sufficient flexibility to address situations where the targets are unviable (as has been the case for a number of years).

- 8.6 It is evident that on sites with high EUVs, in some circumstances sales values would need to increase beyond the 2007 peak for 50% affordable housing to be achievable. It is also important to note that residential development is not always viable - even if schemes are configured as 100% private housing - indicating that residential development cannot always compete with the current uses. Non viability of the affordable housing targets on these sites does not imply that the target should not be adopted, as it is clearly viable on other sites with different existing uses. The target may also be easier to achieve on a greater number of sites as a result of future increases in sales values, providing build cost inflation does not accelerate again.

Key question 2: does the study support the adoption of an affordable housing threshold for “on site-provision” of 10 units?

- 8.7 Smaller sites often incur somewhat higher costs than larger sites but sometimes values achieved upon sale of the units can be higher, as smaller schemes can attract a cachet that larger schemes do not. If on-site affordable housing proves to be impractical in some circumstances, it may be possible for developments to make a payment in lieu.
- 8.8 Our analysis of smaller sites indicates that sites of less than 15 are no less able to meet the 50% requirement than sites above 15 units. This provides support for the Council's threshold of 10 units.
- 8.9 In considering whether to adopt even lower thresholds, the Council would need to weigh the potential benefits of a modest increase in affordable housing from very small sites to the additional cost and time that would inevitably be incurred in running financial appraisals of these sites.

Key question 4: Is the impact of movements in appraisal variables sufficiently significant to change the Study's conclusions on the maximum viable proportion of affordable housing? In particular, what is the impact of increasing developer's profit levels, increased planning obligations, increasing existing use values and increasing build costs?

- 8.10 Small changes in variables can have a significant impact on the residual land value generated by a scheme. In the case of this study, changes in variables therefore have the potential to change the conclusions that we reach on the viability of particular affordable housing targets.
- 8.11 We have sensitivity tested our results by adopting different levels of developer's profit; planning obligations; existing use values; and build costs. The changes in these variables that we have tested individually do not have a significant impact upon scheme viability and thus our conclusions on viable affordable housing targets.
- 8.12 We cannot predict with full certainty how variables will move over the entire plan period. It is therefore important that any affordable housing target is applied with sensitivity and subject to viability. This approach is fully endorsed by the Council.

Key question 5: Do the results of the study provide an indication of any potential impact of the requirement for affordable housing upon the supply of land for residential development?

- 8.13 Policy makers need to carefully consider the balance between their aims of seeking to maximise affordable housing supply and ensuring that the supply of residential land (upon which affordable housing supply depends) does not fall.

- 8.14 The study indicates that, in many cases across Hackney, residential development incorporating an element of affordable housing generates a higher residual value than other uses that landowners may consider. Consequently, it is therefore unlikely that the Council's requirements will reduce residential land supply. However, there will always be individual cases where landowners may seek a higher return for their land and thus decide to wait for an improvement in values or a change in policy.
- 8.15 Furthermore, the Council's flexible approach to the application of the policy target to individual developments should ensure that landowners are encouraged to bring sites forward.

Key question 7: Can the Council set or infer any spatial differences from the data, in terms of the deliverability of affordable family housing in different parts of Hackney?

- 8.16 We understand that LBH has an ambition to regenerate Hackney Wick and prioritise this area for the provision of family housing at lower density than other areas in Hackney. The results of our study suggest that – at the present time at least – it is most difficult to deliver affordable housing in the Hackney Wick area. The benefits of regeneration investment may, of course, improve this situation over time, as will the positive impact of the regeneration associated with the Olympic Games.
- 8.17 In this context, areas with higher values (e.g. N1/EC2 and E8) may be readily able to accommodate private and affordable family accommodation. This is because developments in these areas may be more readily able to accommodate the reductions in private sales values resulting from the provision of larger units.

Key question 7: Is the Council's affordable housing target compliant with the requirements of Paragraph 29 of PPS3 (namely that targets should reflect an assessment of the likely economic viability of land for housing within the area, taking account of 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)?

- 8.18 This study is compliant with the requirements of paragraph 29 of PPS 3 as it assesses the Council's proposed affordable housing targets in the context of the likely economic viability of the land for housing in a cyclical housing market, in which values, costs, risks to delivery, developers' returns and existing use values may vary. The study also considers the likely levels of finance available for affordable housing and the impact of future regulatory changes in terms of sustainability requirements.
- 8.19 The study indicates that 50% affordable housing (in combination with other planning obligations as noted above) is often achievable on the types of sites coming forward for development over the plan period. Sites with lower EUVs appear to be most able to meet the 50% policy requirement.

Appendix 1 Appraisal outputs

[See separate electronic document]