Continuum

Taylor Wimpey – Village 7 Gilston Garden Town
Independent Viability Assessment

September 2023

Inspiring Built Environments

Viability in Planning
Development Management
Regeneration
Planning Consultancy

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Executive Summary

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Taylor Wimpey (TW / Applicant) in respect of the Land at Village 7 Gilston Garden Town (ref: 3/19/2124/OUT).

From a detailed review of the viability case made by CBRE on behalf of TW, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Saving	Reason
Housebuilder Standard Build Costs (incl. garages)	£37.9m (garages as a proportion is circa. £3m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Future Homes Standards	£7.5m Cost saving	Continuum disagree with the inclusion of the Future Homes Standards uplift cost (2025 become statutory) which was also excluded from the Turner Morum (TM) assessment of the PfP site. This is because FVAs should be based on a present value assessment (see RICS Guidance section 4).
EV Charging Points	£1.1m Cost saving	Continuum would argue that the EV charging point costs should be at the same level as HDH in 2019 after adjusting for cost inflation. This equates to £280 per unit instead of CBRE's assessment at £1,000 per unit.
Building Regs. Part M4	£0.1m Cost saving	Continuum estimate a small saving based on applying the EC Harris Building Regs. M4 compliance estimates on a unit type basis.
Non-Resi Community Standard Build Costs	This cost could be lower and should be assessed further by a cost consultant.	This cost could be lower especially when comparing to the PfP FVA and should be assessed further by a cost consultant.
Standard Contingency	£2.4m (based on Continuum's costs) Cost saving	Continuum would argue that the same contingency assumption as used by TM and HDH should be adopted which is 2.5% compared to CBRE's at 3%.
Sales Disposal Fees	£3.9m (based on CBRE's policy compliant values)	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. CBRE have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Standard Professional Fees	£9.8m	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. CBRE adopted an allowance of 8%.

Infrastructure, Abnormals & S106 (incl. community buildings)	Lack of evidence or justification for an increase of 69% when compared to the HDH assessment	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). CBRE, TW and Henry Riley do not separately itemise the abnormal costs in their assessment but from a detailed review of the Henry Riley cost plan, a large number of items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the CBRE assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Finance Cost	£4.6m + Cost saving	Continuum would argue that the finance rate should be at the same level as TM for the PfP scheme which is 6% instead of 7%. CBRE have not provided a cash flow, so Continuum cannot fully assess the finance costs, however, Continuum take issue with a number of cash flow / development period assumptions CBRE have made which would decrease the total finance cost.
Market Sale Values	CBRE to run a sensitivity analysis (as required by the RICS) reflecting place making premium	A sensitivity analysis should be undertaken on place making premium's that could be around 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4.
Affordable Sale Values	CBRE to provide a full breakdown of how they calculated the affordable values.	CBRE have not provided a detailed breakdown of all the inputs used to estimate the affordable housing values. Continuum would request this information, as without it, it is impossible to fully assess their estimation of value.
Commercial Serviced Land Values	£5.8m Value increase	Based on assessing the most optimal commercial uses and assessing the uses based on the most recent Illustrative Master Plan which outlines more commercial area than assessed by CBRE. Continuum have then undertaken their own assessment of the commercial serviced land values based on their opinion of appropriate profit margin, build costs (based on TM's FVA) and other inputs.

Market Profit Margin (incl. adjustment for commercial land profit)	£9.8m (incl. adjusting for commercial land profit) Profit saving	Based on recent appeal decisions and risk adjusted return assessment. Continuum would argue the market profit margin should be 17.5% on GDV. Continuum also agree with the inclusion of a 10.5% on GDV profit for the commercial serviced land which was not included in CBRE's November appraisal but argued by BPS and CBRE in January 2023.
BLV	Needs to reflect the substantial increase in abnormal and infrastructure costs compared to the HDH assessment.	CBRE's BLV assessment does not follow the requirements of the PPG, RICS Guidance, HDH area wide viability assessment or HGGT guidance note on viability, which states that abnormal costs and infrastructure should be reflected in the BLV. CBRE rely on HDH's BLV which is based on a site without abnormal costs. CBRE's assessment includes a substantial amount of abnormal / infrastructure costs and therefore cannot use the same BLV per acre as HDH.
Total	Total of viability savings estimated = circa. £83m + (the reduction in BLV to reflect abnormals / infrastructure and the double counting of infrastructure with external works could equate to a further saving of over £50m)	

CBRE have provided a policy compliant appraisal which based on their inputs shows a viability gap of circa. £58.5m. Continuum's assessment of the scheme as summarised by the table above, highlights that there is more than enough viability savings in order for the scheme to be able to support its full affordable housing contribution.

The area wide viability assessment prepared by HDH in 2019 has been reviewed by HDH and an updated statement was prepared by them in May 2022. An important conclusion from this assessment is as follows:

"45. The above data shows that the average values of newbuild property have increased by about 20% and build costs by about 12%. The Residual Value will have increased, indicating that viability will therefore have improved. Further, the costs of providing the infrastructure have been reduced, suggesting that viability will have improved, noting however that some of the reduction is likely to be due to changes in the approach taken within the IDP.

46. The additional costs of national policy will add to the costs of development, but this, even when taken together, is going to be substantially less than the increase in average newbuild values.

47. The HGGT Partnership can continue to rely of the Harlow and Gilston Garden Town Strategic Viability Assessment (HDH, April 2019), although the report is now likely to understate the Residual Values somewhat."

East Herts own evidence base in May 2022 points to the viability of the Garden Town developments improving considerably. CBRE's assertion made at the same time as the HDH update is the reverse. Continuum have not seen a commentary from East Herts addressing this issue.

1. Introduction

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Taylor Wimpey (TW / Applicant) in respect of the Land at Village 7 Gilston Garden Town (ref: 3/19/2124/OUT).

This IVA has three tasks:

1. Assess in terms of policy and professional practice guidelines whether the Applicant has made a compelling case for the identified aspirational return to the developers and landowners in their viability proposition, and the values and costs used in their appraisal are fair and evidenced.
2. To establish what further information/evidence is required from the Applicant in the event that further justification for the viability case made is required.
3. To advise the Client, following evaluation, if there is the potential for contributions to be made by the Applicant, once evidence based aspirational returns to the developers and landowner are achieved.

The IVA provides an overview analysis of the FVAs produced by CBRE (TM) between November 2022 to January 2023 and will focus on key areas where Continuum would challenge the approach and assumptions made by CBRE.

Continuum have also been instructed to undertake an independent assessment of the BPS viability reviews that were produced for the Council (East Herts). The review will focus on the inputs assumed and methodologies used to determine whether BPS's advice provides a robust justification for why they have concluded that the scheme cannot comply with adopted planning policy.

This IVA has been prepared in compliance with national planning policy, namely:

- National Planning Policy Framework (updated 2023).
- National Planning Practice Guidance on Viability (updated 2019).

The PPG (2019) sets out a standard approach to assessing viability at both the plan and decision-making stage. It seeks to *"strike a balance"* between the aspirations of developer returns, landowner returns and benefits in the public interest through policy compliance.

The emphasis has changed regarding the assessment of viability in the most recent iteration of the PPG (2019). Weight to be given to the viability assessment is now a matter for the decision maker and should be based upon the recency of the development plan and the supporting viability evidence, alongside the transparency and justification of the evidence submitted as the basis of the viability assessment.

Guidance prepared by Royal Institution of Chartered Surveyors (RICS) has been taken in account in the preparation of this report with particular reference to the following documents:

- RICS Professional Statement: Financial Viability in Planning – Conduct and Reporting (2019).
- RICS Guidance Note: Assessing viability in planning under the NPPF (2019) for England (1st Ed) (March 2021).

The RICS professional statement (2019) sets out mandatory requirements to be followed by RICS professionals regarding to conduct and reporting in relation to FVAs for planning in England. **Appendix 1** confirms that this review is in accordance with the requirements set out within the Professional Statement. The RICS Guidance Note (2021) sets out best practise on viability in planning to be followed by RICS members.

This IVA does not constitute a formal valuation, as such, the guidance included in this report is exempt from regulations set out in the RICS Valuation Professional Standards (the Red Book) (2021).

Continuum reserves the right to update, amend or vary our advice should the matter progress to a planning Appeal Hearing, Inquiry or Judicial Review; or be called in by the Secretary of State.

2. Confidentiality

This IVA report is confidential to the Client, and their advisors. It has been prepared in accordance with Continuum's terms of engagement.

This IVA has been prepared on the basis that it will be made publicly available should our Client, require it to be as under our terms of engagement.

No party other than the Client is entitled to rely on this report for any purpose whatsoever and we accept no responsibility or liability to any other party other than the client in respect of the contents of this report. This report must not, save as expressly provided for in our terms of engagement, be recited or referred to in any document, or copied or made available (in whole or in part) to any other person without our express prior written consent.

This IVA should not be disclosed to any third parties under either the Freedom of Information Act 2000 (sections 41 and 43 (2)) or under the Environmental Information Regulations.

3. Background and Documents Supplied

Gilston Garden Town is located to the north of Harlow and is allocated for 10,000 homes in the East Hertfordshire District Plan (2018). The Gilston Garden Town is part of the wider Harlow and Gilston Garden Town which is allocated to deliver 23,000 (in total) new homes across new neighbourhoods to the east, west, and south of Harlow, and the Gilston Area to the north. The Harlow and Gilston Garden Town was successful in receiving £172 million of HIF funding which is primarily being used to fund two new crossings over the river Stort, which separates Gilston from Harlow.

Gilston Garden Town is split into 7 villages, with the sites at Village 1 to 6 owned by Places for People (PfP) and the site at Village 7 owned by TW. The two applications at Gilston Garden Town are as follows:

Planning Ref:	Applicant	Housing Numbers	Viability Consultant
3/19/1045/OUT	Places for People	8,500	Turner Morum (TM)
3/19/2124/OUT	Taylor Wimpey	1,500	CBRE

From the reviewing the Planning Committee report, the case officer argues that the changes in viability of the project is due to a substantial increase in the cost of strategic infrastructure since the scheme was awarded HIF funding. From a review of the case made by TW through CBRE's FVA, there is no argument made that increases in the cost of strategic infrastructure are the reasons the scheme is no longer viable.

The Applicants are proposing through a viability challenge to only deliver 23% affordable houses which is significantly lower than the 40% required by policy (2018).

East Hertfordshire District Council instructed BPS to review the viability cases made by the Applicants and BPS accept the final negotiated position of 23% affordable housing. Both applications have since been given a recommendation for approval by Planning Committee subject to signing of a S106 Agreement and finalising conditions.

The following documents have been provided to support the financial viability case being made by the Applicant:

- Gilston Village 7, Hertfordshire, Financial Viability Statement, November 2022, prepared by CBRE (includes cost plan in appendices).
- Response to BPS Independent Review: Gilston Area Village 7 (3/19/2124/OUT), January 2023, prepared by CBRE.

4. Assessment of the Scheme from a Development Manager (DM) Perspective

Continuum and its employees have experience in acting as DM's on all types of schemes, such as:

- Godley Green – garden village of 2,150 homes that was awarded £10m of HIF funding
- Wokingham Town Centre – Comprehensive redevelopment of town centre, leisure and mixed-use housing and commercial sites.
- Stanton – 450 acre former industrial site to be redeveloped into 2,000 homes and 22 hectares of employment use.
- Leyland Town Centre – town centre scheme that has be awarded circa. £25m of Town Deal funding.

Continuum use their knowledge of being DMs to assess the credibility of viability in planning cases being run by Applicants on major schemes. For example, during the Warburton Lane appeal (APP/Q4245/W/19/3243720) (Continuum acted for Trafford Council as Viabiltiy Expert Witness), the Applicant's consultant argued that viability in planning is hypothetical (in essence an academic exercise), whereas Continuum believe (supported by updated RICS Guidance) that the assessments should be based on actuals and reality as close as possible (though recognise inputs should be market specific). This is because the effects of viability in planning have real word outcomes through the reduction in affordable housing and other S106 contributions if successful. This was an argument that was supported by the Inspector at Warburton Lane.

When assessing the scheme from the perspective of a DM and applying logic and development economics, Continuum would make the following commentary:

TW bought the Village 7 site for circa. £62m in July 2021. At the time of purchasing the land, TW would have full knowledge of the content of the live planning application being promoted on a fully compliant basis. The simple conclusion being that TW valued the land at £62m based on a fully compliant development (principally 40% affordable housing). This begs the question – would TW have spent £62m on acquiring land if there was a substantial question mark over the development's financial viability?

For context, if TW's £62m purchase price was inputted into CBRE's policy compliant (40% affordable housing) appraisal, the output profit margin would be circa. 1.5% on GDV (£8.2m) and this profit margin could be wiped out by the increase in finance costs due to the higher land value. This begs the question, that if you took CBRE's assessment at face value, the viability of the scheme substantially changed from 2021 to 2022. TW / CBRE have not provided any evidence that supports this change over the circa. 1 year period.

5. Continuum's Independent Assessment of the Viability Case Made

The section below assesses the inputs assumed by CBRE. Continuum have assessed the inputs based on appeal decisions, their market knowledge, comparable evidence and other FVAs.

CBRE have approached the viability of the TW scheme based on a traditional housebuilder assessment (e.g. TW building out all the houses to sell to the market). This is different to the approach taken by Turner Morum (TM) who assessed the PfP scheme on a master developer basis (e.g. selling serviced residential land to housebuilders).

CBRE have referred back to the area wide viability assessment undertaken by HDH in 2019 for the Gilston & Harlow Garden Town on behalf of East Hertfordshire Council, Harlow Council, Epping Forest Council, Essex County Council and Hertfordshire Country Council. The assessment also included cost consultant advice from Arup in relation to the infrastructure and S106 costs. CBRE throughout their FVA assume many of the same inputs as HDH.

CBRE in November 2022 produced three appraisal scenarios, these are:

- Policy Compliant Appraisal – 40% affordable housing with tenure split 75:25 Affordable Rent (AR):Shared Ownership (SO)
- Scenario Test 1 Appraisal – 20.60% affordable housing with tenure split 75:25 AR:SO
- Scenario Test 2 Appraisal – 21.65% affordable housing with tenure split 60:40 AR:SO

CBRE's conclusion from their appraisal assessment, is that when inputting their assumed Benchmark Land Value (BLV) as a fixed element (£37,861,500) in the appraisal, the policy compliant appraisal does not output a viable profit margin with the outturn being 6.35% on GDV compared to their target blended return of 17.20% on GDV (20% market and 6% affordable). The viability deficit identified in CBRE's appraisal based on their output profit margin and target profit margin was **£58,541,990**.

CBRE then tested two more scenarios to demonstrate viable affordable housing levels based on their target profit margin returns of 20% on market GDV and 6% on affordable GDV. The first scenario was based on the same affordable tenure split (75:25 AR:SO) as the policy compliant appraisal and concluded that 20.60% (309 units) were viable. The second test was based on a 60:40 (AR:SO) affordable tenure split which allowed the scheme to accommodate more affordable housing at 21.65% (325 units).

Based on CBRE's analysis, TW offered an affordable housing contribution of 21.65% (325 units) based on an affordable tenure split of 60:40 (AR:SO). The 60:40 tenure split is the same affordable split also offered by PfP in December 2022.

CBRE produced a response in January 2023 to BPS's review of their initial FVA. CBRE do not provide any additional appraisals in the response but conclude:

"It is CBRE's expectation that if BPS agree with the points raised above, that the revisions to BPS' viability modelling outputs will result in a reduction in affordable housing provision below the rate of 21.65% (60/40 tenure split) as determined by CBRE within the CBRE FVS.

Having discussed this with TW, CBRE understands that TW will continue to maintain the offer of 21.65% affordable housing (60/40 tenure split) to the Council as goodwill at their commercial risk, with this offer made on a without prejudice basis and contingent on the planning application securing a prompt local approval." (January 2023: pg. 8).

However, before the proposal went to Planning Committee, TW offered 23% affordable housing based on a 60:40 (AR:SO) tenure split which is the same level of affordable housing offered by PfP. There is no FVA or appraisal that supports the 23% affordable housing offer.

5.1 Estimated Scheme Net Saleable Area & Gross Internal Area

Continuum agree with CBRE's assumption for the gross to net allowance of 10% for apartments which is the same assumption adopted by TM for the PfP scheme. The table below outlines the estimated GIA for CBRE's policy compliant scheme:

Type	NSA (sq ft)	Gross to Net	GIA (sq ft)	Type % of GIA
Houses	1,239,819	100%	1,443,462	86%
Flats	183,279	90%	203,643	14%
Total	**1,423,098**	99%	**1,443,462**	**100%**

N.B. there are slight differences in areas due to rounding differences.

CBRE's NSA and GIA assessment for the lower affordable housing models is higher than the policy compliant model as shown in the table below:

NSA & GIA Assessment	Policy Compliant	S1: 20.60%	S2: 21.65%
NSA (sq ft)	1,423,098	1,494,503	1,492,049
GIA (sq ft)	1,443,462	1,511,755	1,509,243
NSA Diff from Policy Compliant (sq ft)	N/A	71,405	68,951
NSA % Diff from Policy Compliant	N/A	5.02%	4.85%
GIA Diff from Policy Compliant (sq ft)	N/A	68,293	65,781
GIA % Diff from Policy Compliant	N/A	4.73%	4.56%

The assumptions adopted by CBRE and TW has meant that affordable housing reduces the total NSA and GIA the subject site can accommodate. This means that affordable housing not only has the effect of reducing sale values on £ per sq ft level but also reducing the amount of development area (clearly there is some associated cost reduction).

Continuum would argue that housebuilders will seek to maximise the total NSA and GIA they can develop on a site in order to optimise the development. The question one would pose is would TW really seek to build out circa. 5% less development if the scheme was to be policy compliant (40% affordable housing)?

5.2 Cost Assessment

5.2.1 Residential Standard Build Costs

CBRE have estimated residential standard build costs (which they call *'on-plot construction costs'*) based on median BCIS figures rebased to Harlow plus 15% for external works.

Continuum agree with CBRE's assumption of 15% for external work costs which is the same assumption adopted by HDH.

Continuum would however note that CBRE argue that external works costs only allow for the following:

"tertiary highways, drives, sewers, plot connections, boundary treatments and plot landscaping" (November 2022: para. 4.46).

Based on the above, CBRE argue that their assumption of external works only includes *'tertiary highways'*. Continuum believe this is different to the approach undertaken by HDH who allow for all internal roads:

"Another developer suggested that an additional allowance needed to be made for internal roads and the like. These costs are included in the 15% allowance used." (HDH Area Wide Viability Assessment April 2019: para. 7.19).

Continuum would argue that CBRE have adopted a different approach to internal roads than HDH and have therefore adopted higher costs in relation to internal roads than compared to the 2019 area wide viability assessment.

The main issue Continuum have with CBRE's assessment of standard build cost is the base build cost which has been estimated using median BCIS figure rebased to Harlow (5-year position). CBRE have adopted the *'estate housing generally'* figure for the houses and *'flats generally'* figure for the apartments. CBRE highlight that the adopted median BCIS figure is supported by HDH who also adopted the median BCIS figure in their assessment.

Recent assessments of housebuilders costs during Local Plan Viability Assessments have highlighted the weakness of using BCIS average price study costs to estimate estate housing costs for housebuilders. For example, the QS in the Rossendale Local Plan Viability Assessment states:

"Our experience over many years is that the majority of BCIS data is received from development contracts generally administered on behalf of providers of affordable housing, registered providers or the like. BCIS have informed us that they do receive some cost data from private open market developers however this is when they are in partnership with registered providers. They receive little data from private developers, particularly local, regional and national housebuilders in respect of market developments such as those that need to be assessed in a Local Plan EVA." (QS report, para. 2.2).

They go on to outline more issues they have with BCIS costs which are:

- BCIS costs included additional costs for abnormal works within substructure or superstructures, such as costly abnormal foundations. The published data is not sufficiently transparent to enable the element of abnormal costs to be identified or stripped out.
- BCIS costs include for profit and overheads for a building contractor whereas the majority of housebuilders act as Main Contractor.
- Keppie Massie (KM) and WYG Quantity Surveyors analysis of BCIS published data in 2017, found that since 2011, of the 160 suitable housing schemes, the average number of dwelling per scheme was only 18. KM undertook further analysis from 2017 to 2019 and found a limited number of new schemes (20) were published and the average number of dwellings was only 10. KM argue that BCIS are using fewer schemes as a basis for their cost data and that the schemes they use are very small developments. KM concluded that BCIS was not *'appropriate data'* when assessing scheme typologies of 45 to 400 dwellings.

Due to the limitations of BCIS, Keppie Massie's QS then estimated their base build costs on their own construction database which included data submitted by housebuilders relating to actual costs. They state that their database included 230 schemes in the North West and their adopted base build cost was around 18% below the BCIS LQ estate housing 2 storey figure (5-year position) for schemes of around 45 to 400 dwellings. The Inspector at Examination agreed with the approach and methodology.

The above was also adopted by the same consultant during the Hambleton District Council Local Plan Viability Assessment. Again, this approach was accepted to be appropriate by the Inspector at Examination.

The above is further supported by the approach taken by both QS's at the Warburton Lane (APP/Q4245/W/19/3243720) and Eaves Green (APP/D2320/W/20/3265785) appeals where it was agreed that when using BCIS to benchmark housebuilder costs, deductions should be applied due to embedded overheads and profit (OH&P) and economies of scale savings. During these appeals, it was agreed that the LQ BCIS figure rather than the median figure should be utilised, and this figure should have further deductions applied (circa. 20% to 30%). This approach was agreed between the Councils and housebuilders (Redrow & TW) QS's.

Two older appeals (pre-PPG update) that support this approach are first Flaxley Road, Selby (APP/N2739/S/16/3149425), where the Inspector ruled that the lower quartile (LQ) BCIS was not appropriate when a scheme was (i) likely to be delivered by a volume house builder and (ii) other information / data was available. A figure below the LQ was accepted.

The second was Lowfield Road, Barnsley (PP/R4408/W/17/3170851) where a cost significantly lower than BCIS LQ was accepted on the basis the scheme was likely to be delivered by a *'low cost'* developer.

Continuum have followed the approach to base build costs as adopted by Warburton Lane and Eaves Greens appeals, which is to base the housebuilder costs on LQ BCIS with deductions for OH&P and housebuilder efficiencies. Continuum would highlight that Eaves Green was a scheme promoted by TW / the Applicant. Continuum have assessed the costs at Q4 2022, which is the date of CBRE's appraisals.

The reason LQ BCIS is used over Median BCIS (before deductions) is due to Keppie Massie's analysis finding that in reality, the BCIS estate housing dataset mainly consists of very small schemes (less than 20 units), which when combined with the organisation that are delivering these schemes (Local Authorities and RPs) does not create a comparison metric that can be used for volume housebuilders. In our opinion it appears the difference between LQ and Median is largely affected by quantum and not quality.

Continuum have utilised the BCIS figure based on a *"maximum age of project"* of 5 years as opposed to the default position of 15 years. The reason why this figure is more appropriate is that the 5-year position is more reflective of the current market and reflects more recent projects and specifications compared to the 15-year position. This approach is supported by the Inspector at the Land North Of School Lane, New Forest appeal (APP/B1740/W/18/3209706) and adopted by cost consultants during the Warburton Lane and Eaves Green appeals. CBRE also adopt the 5-year position BCIS data in their assessment of base build cost.

Continuum have then benchmarked the base build costs with the following LQ BCIS figures rebased to Harlow (Q4 2022) for the following property types:

House Type	BCIS Figure	Age of Results	Sample	LQ £/ sq ft
Houses*	Estate Housing 2-Storey Figure	5-year	171	£115.94
Apartments	Avg. of 1-2 and 3-5 Storey Flat Figure	5-year	34 132	£131.27 £136.10 Avg: £133.69

**Continuum would add that 2.5 storey properties would have a lower build rate than a 2-storey property, though this has not been considered in this assessment of cost.*

Continuum have then stripped out the embedded OH&P from the BCIS data at an estimated 7.5% based on their experience of current OH&P levels and at a similar level to that adopted at the Warburton Lane appeal. Continuum would usually then apply a further reduction for housebuilders costs due to supply chain efficiencies compared with the BCIS data. This further reduction can range from 5% to 20% depending on the housebuilder and scale of scheme. For example, at the Warburton Lane Appeal, for a national housebuilder this deduction was clarified at circa. 20% by the QS (Expert Witness) acting for the Appellant (Redrow).

However, Continuum have not undertaken this further reduction. This is because of the Garden Town principles of the scheme, with the expected design codes ensuring a high-quality build and place making aspirations (though most of the placemaking cost is accounted for in strategic infrastructure costs and would not increase the base build cost). This means the base build costs are higher than what a standard estate housing scheme would be.

The table below outlines Continuum's estimated standard build costs for CBRE's policy compliant scheme:

Type	GIA (sq ft)	LQ BCIS	Strip OH&P @ 7.5%	Plus Ext @ 15%	Total Cost
Houses	1,239,819	£115.94	£107.85	£124.03	£153,773,315
Flats	203,643	£133.69	£124.36	£143.02	£29,124,442
Total/Avg.	**1,443,462**	**£118.44**	**£110.18**	**£126.71**	**£182,897,757**

The average blended standard build cost estimated for the scheme equates to £126.71 per sq ft. CBRE's estimated standard build cost for the policy complaint scheme was £217,702,278 and means there is a potential cost saving of **£34,894,521**.

On top of the base build and external work costs, CBRE have also included an additional cost allowance for garages at £10,000 per single garage and £17,500 per double garage. CBRE argue the cost is based on their working knowledge of housebuilders construction costs. CBRE have estimated the garages as follows for the policy compliant scheme:

Garage Type	Unit Type	No. Units (%)	No. Units	Cost (£/ u)	Total £
Single	4 bed	100%	224	£10,000	£2,240,000
Double	5 bed	100%	46	£17,500	£805,000
Total			**270**	**£11,278**	**£3,045,000**

CBRE argue that HDH's assessment of cost excludes garages.

Continuum would argue that the 15% external works percentage applied to the base build cost accounts for garage costs. HDH did not make a separate allowance of garage costs in their area wide assessment, as it was accounted for in their external works costs figure. Continuum have therefore not included a separate line for garage costs (they are included in the external works figure). This is a cost saving of **£3,045,000** based on CBRE's policy compliant appraisal.

Continuum have compared the estimated standard build cost with a Q4 2022 cost Continuum received from a national housebuilder during negotiations on a land sale for a Local Authority site located in the Thames Valley. The scheme had planning and was designed to a high building specification by the Local Authority. The total standard build costs for a serviced site (including Part L, garages and contingency) were estimated at £135 per sq ft by the national housebuilder for a 130-unit scheme which included circa. 14% apartments. When stripping out the Part L cost of £4.16 per sq ft assumed by CBRE in their assessment and contingency of 2.5% assumed by HDH in 2019, the comparable standard build cost (excluding Part L & contingency) equates to £127.55 per sq ft. The comparable site is also located in an area with a location index of 112. Adjusting for this would equate to a standard build cost of £117.30 per sq ft (excl. Part L & contingency) and allow for direct comparison with the assessment of standard build costs above and shows that the costs assumed are appropriate and higher than this Thames Valley adjusted cost comparable (full names have been redacted due to commercially sensitive information).

Overall, taking into account garages and base build cost reductions, Continuum believe the costs could be reduced by **£37,939,521**.

5.2.2 Part L & Future Homes Standard Uplift Cost

CBRE adopt a Part L uplift cost of £4,000 per unit (£4.16 per sq ft). Continuum agree with this cost which is consistent with research undertaken by DLUHC and is the same figure adopted by TM for the PfP site.

CBRE have also adopted a cost allowance for meeting Part F (Future Homes Standard) which is mandatory from 2025. CBRE argue that as all properties are expected to be delivered from 2025 onwards, they have included an allowance for this cost at £5,000 per unit which equates to £7,500,000.

Continuum disagree with the inclusion of the Future Homes Standards uplift cost which was also excluded from the TM assessment of the PfP site. This is because FVAs should be based on a present value assessment (see RICS Guidance section 4). This is consistent with the approach taken during appeals and FVAs for schemes that received planning before Part L building regulations came into force but would be subject to Part L for later phases of the scheme.

CBRE in affect have assessed the build costs based on a 2025 level in terms of the Future Homes Standard but have only assessed the values in terms of 2022 level.

Overall, Continuum have stripped out the Future Homes Standard uplift cost which equates to a cost saving of **£7,500,000** and is consistent with the approach taken by TM for the PfP scheme.

5.2.3 EV Charging Points

CBRE have included an additional cost allowance over and above their standard build cost assessment for meeting Policy DES4 which expects development proposals to make provision for EV charging points.

CBRE have assumed an EV charging point cost allowance of £1,000 per point but have provided zero evidence to support this assertion.

The cost assumed by CBRE is significantly higher than that adopted by HDH in 2019 during the area wide viability assessment. In this assessment they adopted a cost of £250 per unit which adjusted to Q4 2022 (using BCIS All Tender Price Index) equates to £279.85 per unit.

CBRE throughout their assessment have sought to assume the same inputs and assumptions as HDH but have chosen to adopt a different assumption to them for charging points. CBRE have also provided no evidence to support their assertion.

Based on HDH's 2019 assessment, Continuum believe the EV charging point cost should be £280 per unit which equates to a cost saving of **£1,080,000**.

Continuum would add that TM in their PfP FVA do not include an additional cost allowance for EV charging points though PfP state their scheme meets Policy DES4.

5.2.4 Building Regulations Part M4(2) and M4(3)

CBRE have included an additional cost allowance over and above their standard build cost assessment for meeting Policy HOU7 which expects all new dwellings to meet M4(2) compliance as well as 10% of market units and 15% of affordable units to meet M4(3) compliance.

CBRE state they have estimated the cost to meet Policy HOU7 based:

"upon 'Table 45 – Access costs summary', from the Department for Communities and Local Government ('DCLG') Housing Standards Review Cost Impacts (September 2014) report, published by EC Harris. These figures directly informed the publication of the DCLG's Housing Standards Review – Final Implementation Impact Assessment (March 2015)." (November 2022: para. 4.52).

CBRE state they then indexed the costs to October 2022 based on BCIS general build cost index and based the cost on the *'3b detached'* rates as CBRE argued they represent an average figure. The table below outlines CBRE's calculation for the policy compliant scheme:

M4 Standard	Units (%)	No. Units	Cost (£/ u)	Total £
Part M4(2) (All)	100%	1,500	£727	£1,090,477
Part M4(3) (Open Market)	10%	90	£14,382	£1,294,381
Part M4(4) (Affordable)	15%	90	£13,610	£1,224,934
Total				**£3,609,791**

HDH in their 2019 area wide viability assessment also include M4 compliance costs based on the EC Harris September 2014 report. HDH estimated cost equates to £41 per m2 / £3.81 per sq ft. The HDH cost is higher than CBRE's estimated cost which equates to £26.92 per m2 / £2.50 per sq ft.

Continuum have also assessed M4 compliance based on the EC Harris September 2014 report and *'Table 45 – Access costs summary'*. The table below outlines the September 2014 cost and it updated to December 2022 (last month of Q4 2022) using the same index as CBRE:

M4 Standard	1B Apt	2B Apt	2B Terrace	3B Semi	4B Detached
M4(2) - Sept 2014	£940	£907	£523	£521	£520
M4(3) Adaptable - Sept 2014	£7,607	£7,891	£9,754	£10,307	£10,568
M4(2) - Dec 2022	£1,297	£1,251	£722	£719	£717
M4(3) Adaptable - Dec 2022	£10,495	£10,887	£13,458	£14,221	£14,581

CBRE only applied the 3B semi figure to all the units, whereas Continuum have applied the correct house type figures to the estimated cost for each house type. For the 5 bed dwellings the 4 bed detached figure has been applied. Continuum would also argue that CBRE have applied some double counting in their assessment, by applying an uplift for both M4(2) and M4(3) compliance to the M4(3) compliant units. This is because the M4(3) EC Harris cost includes meeting M4(2) compliance already. Continuum have therefore not applied the M4(2) compliance to the 180 M4(3) compliant units.

Based on the above, Continuum estimate the cost of meeting M4 compliance per Policy HOU7 at £3,497,309. This is a small cost saving of **£112,482**. The table below shows Continuum's calculation:

M4 Standard		1B Apt	2B Apt	2B House	3B House	4B+ House	Total
M4(2)	Units	149	113	269	549	240	1,320
	£ Per Unit	£1,297	£1,251	£722	£719	£717	£830
	Total	£193,241	£141,407	£194,106	£394,634	£172,186	**£1,095,574**
M4(3) Affordable	Units	18	10	26	29	7	£90
	£ Per Unit	£10,495	£10,887	£13,458	£14,221	£14,581	£12,913
	Total	£188,917	£108,872	£349,897	£412,396	£102,065	**£1,162,147**
M4(3) Market	Units	5	6	13	43	23	£90
	£ Per Unit	£10,495	£10,887	£13,458	£14,221	£14,581	£13,773
	Total	£52,477	£65,323	£174,949	£611,484	£335,355	**£1,239,588**

Continuum would add that TM in their PfP FVA do not include an additional cost allowance for M4 compliance though PfP state their scheme meets Policy HOU7.

5.2.5 Non-Residential Community Standard Build Costs

CBRE's appraisal assumes that TW would build out a number of non-residential community buildings. This is different to the non-residential employment serviced land TW would seek to sell to the market.

CBRE's appraisal includes the following community non-residential uses to be delivered:

- New build community centre – 1,060 m2 / 11,410 sq ft
- Barn Conversion community centre – 570 m2 / 6,135 sq ft
- Nursery (education) – 550 m2 / 5,920 sq ft

The cost to deliver the community buildings has been estimated by cost consultant Henry Riley. The total cost including prelims and OH&P is as follows:

Type	Base Build	+ Prelims	+ OH&P	£/ m2	£/ sq ft
Community Centre (New Build)	£2,014,000	£2,265,750	£2,379,038	£2,244	£208.51
Community Centre (Barn Conversion/Refurb)	£641,250	£721,406	£757,477	£1,329	£123.46
Nursery (Education)	£1,485,000	£1,670,625	£1,754,156	£3,189	£296.30

It appears the above costs only relate to the base build cost with external works accounted for elsewhere in Henry Riley's cost plan.

The build costs are higher than what was assumed in the TM's PfP appraisal where they adopted a build cost of £116 per sq ft for new build D2 uses (incl. community centre, primary health care, blue lights). TM's FVA also includes a cost plan produced by Aecom who estimate creche (shell & core) cost at £164.61 per sq ft and community centre (new build incl. fit out) cost at £263.38 per sq ft. Overall, there is a substantial difference in cost assumptions between both Herny Riley for TW's scheme and Aecom / TM / Knight Frank for the PfP scheme.

Due to the variation in costs between consultants, Continuum would recommend that Herny Riley's cost plan is independently assessed by a cost consultant.

5.2.6 Standard Contingency

CBRE have adopted a standard contingency of 3% of total build excluding strategic infrastructure works and infrastructure contributions. CBRE provide zero justification or evidence to support their assumption.

The CBRE figure adopted is higher than that argued by both HDH in 2019 during the area wide viability assessment and TM in their PfP FVA. HDH and TM both adopt a standard contingency of 2.5%.

If a 2.5% contingency was applied to CBRE's policy compliant cost assumptions, the standard contingency would reduce by £1,221,689.

Continuum would argue that the 2.5% contingency should be adopted which reflects the low level of construction risk to housebuilders for standard build costs. The CBRE appraisal also allows for construction risk through the strategic infrastructure works, the abnormal costs and allowances adopted in the assessment.

Applying the 2.5% contingency to Continuum's assessment of standard build costs would equate to a cost saving of **£2,387,489**.

5.2.7 Sale Disposal Fees

CBRE have assumed sale disposal fees at 3.5% of market housing GDV. They state that this is the same figure adopted by HDH during the area wide viability assessment in 2019.

For CBRE's policy compliant appraisal, the 3.5% of market GDV sale disposal fees this equates to £16,791 per market unit.

Continuum would challenge the assumptions for sale disposal fees, especially when comparing with recent appeal decisions and other FVAs nationally.

To start with, Continuum would expect housebuilders legal fees to be around £500 to £750 per unit, due to the economies of scale they achieve. Volume housebuilders usually have a contract with a solicitors / conveyancing firm to undertake all of their conveyancing nationally and would have standardised templates for all agreements. The following appeals support the £500 to £750 per unit sale legal fees:

- Old Crofts Bank, Trafford (APP/Q4245/W/21/3279610) – £650 per unit
- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – £650 per unit
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – £650 per unit
- Hempshill Hall, Broxtowe (APP/J3015/S/15/3019494) – £500 per unit
- Reading Road, Wokingham (APP/X0360/W/22/3300991) – £750 per unit

Continuum believe a sale legal fee of £650 per market unit should be adopted in the assessment of the scheme.

In terms of the sales and marketing fee, housebuilders usually undertake many of these elements inhouse which enables cost efficiency savings. Housebuilders also include a wider marketing budget which would be accounted for in their overheads (gross profit margin) which would reflect brand marketing and more national marketing campaigns. The marketing element should therefore only reflect direct marketing costs related to the development and not their wider national / branding marketing. Continuum in recent appeals agreed with consultants that a sales and marketing figure of around 2.5% on GDV would be appropriate for housing developments, these appeals include:

- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – 2.5% on GDV
- Old Crofts Bank, Trafford (APP/Q4245/W/21/3279610) – 2% on GDV
- Reading Road, Wokingham (APP/X0360/W/22/3300991) – 2.6% on GDV

Continuum would add that although the above are apartment schemes and not estate housing schemes, in Continuum's experience, apartment schemes such as at Former B&Q have a significant sale and marketing budget to attract overseas purchasers from South East Asia.

Continuum would highlight some estate housing scheme FVAs where a sales and marketing fee of around 2.5% has been agreed with Continuum and other consultants:

Name	Local Authority	Units	Viability Consultant	Sales & Marketing %
Bradley Lane	Teignbridge	90	Savills	2.2% on GDV
Houghton Barton	Teignbridge	885	BNP Paribas	2.25% on GDV
Slackgate Farm	Rossendale	40	Aspinall Verdi	2.5% on GDV
Penwortham Mills	South Ribble	317	CBRE	2.5% on GDV

The above FVAs show a range of scheme sizes, from small to very large that have all adopted a sales and marketing fee around 2.5% on GDV.

Continuum would also argue that the proposed Gilston Garden Town has received a lot of free marketing through being allocated Housing Infrastructure Funding, the work undertaken by the Neighbourhood Planning Group and the PR this has created around the scheme. This has meant the development has significant brand awareness in the local market, even before construction has started.

Continuum believe the sales and marketing fees adopted in the appraisal should be 2.5% on GDV.

Based on Continuum's sale disposal assumptions highlighted above of 2.5% on GDV sales & marketing and £650 per unit legal fees, the market sale disposal fees cost savings equates to £3,732,800 (£15,112,300 minus £11,379,500) based on CBRE's policy compliant appraisal's market sale values.

CBRE have adopted an affordable housing disposal fee of 0.5% of affordable GDV which equates to £899 per unit. CBRE state HDH the area wide assessment adopts a 3.5% sale disposal fee to the affordable houses.

The affordable housing disposal fee for normal market estate housing schemes would usually only relate to the legal fee associated with selling the affordable units to a RP. In Continuum's experience, this fee is usually around £500 to £650 per unit and for large affordable unit transactions can be lower as the fee is usually capped, due to it being one legal agreement in relation to all of the affordable units being transacted for the phase. The following appeals and FVAs support this approach:

- Former B&Q, Trafford (APP/Q5245/W/20/3258552) – £650 per unit
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – £650 per unit
- Hempshill Hall, Broxtowe (APP/J3015/S/15/3019494) – £500 per unit
- Penwortham Mills, South Ribble (FVA) – £650 per unit

Considering the above evidence, Continuum have adopted an affordable sale disposal fee of £650 per unit. This equates to a cost saving of **£149,690**.

Overall, the total sale disposal cost savings based on CBRE's policy compliant appraisal is **£3,882,490**.

5.2.8 Standard Professional Fees

CBRE have adopted a standard professional fee allowance of 8% of total costs (excl. contingency, strategic infrastructure works and infrastructure contributions). They state this is the same figure as HDH in the area wide viability assessment. CBRE have also adopted a further cost of £302,754 for the planning application fee which therefore means the professional fee is at 8.12%.

Continuum would agree with the 8% professional fee allowance being applied to the non-residential community costs.

However, Continuum would argue that the professional fee allowance adopted by CBRE for the standard housebuilder costs is considerably higher than what they would expect for a housebuilder scheme. Continuum would argue that a 5% professional fee allowance should be adopted. This is because of the economies of scale that will be achieved by the volume housebuilder through the inhouse professional team housebuilders have and the standardised approach to house types and designs. This estimated professional fee allowance is supported by the following appeals and FVAs:

- Warburton Lane, Trafford (APP/Q4245/W/19/3243720) – 5% for standard build and 6% for abnormals (excl. contingency)
- Eaves Green, Chorley (APP/D2320/W/20/3265785) – 5% for standard build and 6% for abnormals (excl. contingency)
- Houghton Barton (FVA) – 4% for standard build (incl. contingency)

For clarity, the professional fees percentage identified above, is specifically for the volume housebuilder standard costs. The professional fees related to delivery of site wide infrastructure are dealt with elsewhere in the appraisal.

Continuum believe a 5% of standard build (incl. Part L, M4 compliance, EV charging costs) should be adopted based on the two appeals above. Continuum would add that this could be seen as a full allowance.

When applying the 5% professional fee to Continuum's lower standard build costs (including Part L, M4 compliance and EV charging costs), the standard professional fee saving (excl. strategic infrastructure) equates to **£9,817,766**.

Item	£
Continuum's Residential Standard Build incl. Part L etc.	£192,815,066
Continuum's Professional Fees @ 5%	£9,640,753
CBRE's Residential Standard Build incl. Part L etc.	£239,447,070
CBRE's Professional Fees @ 8% + Planning App Fee	£19,458,520
Professional Fees Difference	**£9,817,766**

5.2.9 Strategic Infrastructure Works

CBRE's appraisal includes £61,703,487 of strategic infrastructure works which has been estimated by the cost consultant Herny Riley. The cost includes the following:

- Facilitating works
- Grey infrastructure (road, drainage, utilities etc.)
- Green infrastructure
- Prelims (12.5%)
- OH&P (5%)
- Professional fees (9.25%)
- Contingency (5%)

The Herny Riley costs can be broken down as follows:

Description	Costs
Site Investigation Works (Facilitating Works)	£120,000
Ecology Works (Facilitating Works)	£200,000
Archaeology Works (Facilitating Works)	£609,000
Earthworks incl. Retaining Walls (Facilitating Works)	£9,459,261
Temporary Haul Roads (Facilitating Works)	£1,091,250
Utilities Diversions & Disconnections (Facilitating Works)	£71,000
Demolition Works (Facilitating Works)	£219,900
Highways (Grey Infra.)	£8,814,775
Site Access Junctions - S278 works and Traffic Management (Grey Infra.)	£2,850,000
External Services (Grey Infra.)	£6,259,493
Foul Drainage (Grey Infra.)	£1,908,150
Surface Drainage incl. Attenuation & SUDS (Grey Infra.)	£1,890,630
S38 Agreements (Grey Infra.)	£4,344,610
Hard Landscaping (Green Infra.)	£1,447,700
Soft Landscaping (Green Infra.)	£3,975,475
Neighbourhood Provisions incl. Play & Street Furniture (Green Infra.)	£2,275,000
Sub-Total	**£45,536,244**
Prelims (12.5%)	£5,692,031
OH&P (5%)	£2,561,414
Professional Fees (9.25%)	£4,975,546
Contingency (5%)	£2,938,262
Total	**£61,703,496***

**The total figure is different than that stated in CBRE's main report due to a small reporting error by CBRE.*

Continuum have assessed the strategic infrastructure costs against the area wide viability assessment undertaken by HDH. In this assessment Arup undertook a detail cost assessment of the strategic infrastructure and mitigation costs for Village 7 which was used to inform the Infrastructure Delivery Plan (IDP) in relation to Harlow & Gilston Garden Town. The assessment included S106 contributions and strategic infrastructure and was estimated at £80,704,761 by Arup. This cost assessment was then reduced down by HDH due to them arguing that open space costs are normal site costs covered within the normal landscaping and site preparation assumptions (the exceptions are the £5m costs related to River Stort green infrastructure) as well as removing the land cost allowance due to land usually being provided for infrastructure at no costs. The reduced cost in HDH's report (Table 7.4) equated to £77,980,821. The table below breaks down the Arup / HDH assessment of cost:

Item	£
Transport	£38,018,135
Education	£28,598,718
Healthcare	£4,579,471
Emergency Services	£1,623,226
Community Facilities	£1,979,277
Open Space	£900,000
Sports & Leisure	£1,982,822
Utilities	£299,172
Flood Defence	£0
Total	**£77,980,821**

However, HDH adopt a higher strategic infrastructure and S106 figure in their appraisal assessment for the scheme, though it is unclear why they adopted this higher figure and what the additional cost relates to. The higher figure adopted equated to £81,316,545 which was £3,335,724 higher.

CBRE's / Henry Riley's total abnormal, infrastructure and S106 costs (incl. non-residential community buildings) is £153,983,738. This is 89% higher (circa. £72.7m) than HDH's / Arup's 2019 assessment. When excluding costs related to the Rolling Infrastructure Fund (incl. Harlow Town Centre STC) which were not included by HDH as they related to the HIF grant, CBRE's total cost is 69% higher (circa. £56.4m).

From review of HDH's / Arup's strategic infrastructure and S106 costs and the IDP, Continuum would argue that the strategic infrastructure and S106 costs does not relate to the TW's / CBRE's strategic infrastructure costs. These costs appear to be abnormal costs or standard onsite infrastructure costs for a large strategic site.

The HDH / Arup strategic infrastructure and S106 costs do however relate to TW's / CBRE's S106, Gilston Area infrastructure contributions and non-residential community costs (see Section 5.2.5, 5.2.10 and 5.2.11). The total TW / CBRE S106, Gilston Area infrastructure contributions and non-residential community costs (incl. professional fees and contingency) is £92,280,242. This is a 13.48% increase in cost which is in line with cost inflation from 2019 to 2022. Continuum have compared the Arup / HDH 2019 cost breakdown with TW's / CBRE's below:

S106, Gilston Area Infrastructure Contributions and Community Development	**HDH / ARUP 2019**	**CBRE / TW 2022-23**	**% Difference**
Transport*	£38,018,135	£41,769,190	10%
Education	£28,598,718	£31,365,713	10%
Healthcare	£4,579,471	£2,298,145	-50%
Emergency Services	£1,623,226	£261,811	-84%
Community Facilities	£1,979,277	£4,179,985	111%
Open Space	£900,000	£7,514,115	735%
Sports & Leisure	£1,982,822	£4,641,973	134%
Utilities	£299,172	£249,310	-17%
Flood Defence	£0	£0	0%
Additional HDH / ARUP Cost	£3,335,724	May relate to items above	May relate to items above
Total	**£81,316,545**	**£92,280,242**	**13.48%**

**includes Rolling Infrastructure costs and off-site STC (Harlow Town Centre) costs which is there to offset the HIF grant benefit of circa. £111m the 7 Gilston Villages receive.*

Continuum would add that HDH's assessment did not include open space stewardship cost which is one reason why this cost is significantly higher in the CBRE / TW assessment. The HDH assessment also does not include the Rolling Infrastructure Fund (RIF) costs and off-site STC (Harlow Town Centre) cost which are in relation to the HIF grant (also not included in HDH's assessment) and equates to £16,261,700 of additional transport cost. Stripping out the RIF costs would reduce the TW's total cost to £76,018,542 which is actually lower than HDH's / Arup's 2019 assessment of cost. The difference in the exact breakdown could also be due to the changes in how strategic infrastructure and S106 costs were to be funded between each of the 7 villages at Gilston. This could have meant Villages 1 to 6 paying more towards healthcare and emergency services and Village 7 paying more towards community facilities and sports. Finally, the additional HDH cost that was not in the Arup breakdown could relate to some of the items that have seen a large increase.

From the above assessment, it is clear that TW's / CBRE's strategic infrastructure costs are in relation to either abnormal costs or standard external works / standard infrastructure costs for large strategic sites. The inclusion of the strategic infrastructure costs in the CBRE appraisal is the main difference between the 2019 area wide viability assessment undertaken by HDH in 2019 and the CBRE appraisal assessment.

Continuum have assessed the Henry Riley cost plan and in relation to HDH's 2019 assessment would argue that the following are abnormal costs or standard infrastructure / external works costs. This assessment is outlined at **Appendix 2**. Continuum estimate the abnormal costs at approximately £25,574,430 and the standard infrastructure / external works costs at circa. £36,129,066.

HDH in their 2019 assessment did not include any abnormal costs. HDH explain that any abnormal cost allowance included at the site-specific stage will be reflected in the land value which has the:

"result of balancing the abnormal costs on both elements of the appraisal." (HDH, 2019: para. 7.22).

The approach to Benchmark Land Value (BLV) and reduction of land value to reflect abnormal costs has not been undertaken by CBRE, with CBRE adopting the exact same BLV per acre figure as HDH, even though their assessment of cost includes abnormals. This is fundamentally wrong and does not follow the requirements of the PPG or RICS guidance (see **Section 5.6**).

As stated above, when assessing the Henry Riley strategic infrastructure costs against HDH's 2019 assessment, Continuum would argue that a large proportion of the costs are associated with standard infrastructure / external work costs for large strategic sites. In the HDH assessment, these costs have been accounted for through their standard build costs based on median BCIS with 15% uplift for external works. For example, HDH argue that the majority of open space costs are accounted for in their external works / standard build costs. They also argue that all internal roads are included in their external work / standard build cost allowance.

Continuum would therefore argue that as CBRE have adopted the same standard build cost methodology as HDH, there has been the unintentional consequence of double counting with the Henry Riley strategic cost assessment as Henry Riley did not undertake their own assessment of standard build cost. This double counting between cost consultants cost plans and viability consultants assessment of standard build costs does commonly unintentionally occur when Continuum review schemes across the country.

Overall, if CBRE insist on using HDH's standard build costs methodology / assumptions then the circa. £36,129,066 of standard infrastructure / external work costs needs to be stripped out in order for a like for like comparison and to remove double counting. Also, as CBRE's appraisal includes abnormal costs whereas HDH's did not, CBRE cannot use the same BLV per acre as HDH as they need to take into account the abnormal costs in their BLV assessment.

The RICS guidance states that Applicants should provide costs that include value engineering, and the Applicant should be requested to explain if any has been undertaken. For example, Henry Riley appears to assume a large amount of offsite disposal of soil from site at £1,647,375. Through value engineering, a normal developer would seek to minimise this cost, through reusing it on site, reusing on other sites they own or selling the material. The above is all dependent on the soil not being contaminated.

Continuum would recommend that the Henry Riley cost plan is fully independently assessed by a cost consultant.

5.2.10 Infrastructure Contributions

CBRE in their appraisal provide a cost for Gilston Area infrastructure contributions. These appear to be S106 costs in relation to onsite infrastructure in Gilston. TW and PfP have a Memorandum of Understanding between the parties dated 10th May 2021 where TW rebate PfP for providing onsite / offsite S106 infrastructure. The infrastructure contribution also includes direct payments towards the Council's Rolling Infrastructure Fund (RIF) which is to be captured through the S106 agreement.

In November 2022 the total infrastructure contribution assessment equated to £69,651,018. However, in CBRE's updated January 2023 response, they state that Savills (planning agent) has provided CBRE with an updated latest position based on discussions with East Herts. The updated assessment of cost equates to £68,657,334 which is £993,684 less than the November 2022 assessment included in CBRE's appraisals. The table below breaks down the infrastructure contributions cost:

Contribution	Jan-23 Cost
Central Stort Crossing (inc V1 access) - Direct Repayment to RIF	£8,489,200
Village 7 rebated to PfP on non-HIG funded Central Stort Crossing	£2,564,900
Eastern Stort Crossing (excl. V2 access) - Direct Repayment to RIF (15% of 59%)	£1,457,500
Village 7 rebated to PfP on non-HIG funded Eastern Stort Crossing	£16,311,400
STC Village 1 Boulevard	£108,217
Village 1 Transport Hub	£75,536
Northern Station Access - Harlow Town Station	£801,607
Ped/Cycle Route - Parndon Mill (incl. A414 crossing)	£85,094
Ped/Cycle Route - Hunsdon to Village 1	£51,385
Village 1 Secondary School	£15,001,421
Temp Education Cost (secondary)	£945,000
Village 1 Health Centre	£2,298,145
Community Centre	£631,830
Leisure Centre (estimate)	£2,816,722
Sport England Sport & Recreation delivered within GPE in V1-6, incl. bowls and tennis	£896,669
Sport England Sport delivered in V7 (incl. Football Hub)	£673,812
Off-Site Towpaths (as part of Stort Valley Improvements Package)	£392,035
Eastwick Wood Park	£1,407,231
Hunsdon Airfield Country Park	£614,360
Home Wood	£656,187
Gilston Fields	£1,227,383
Gilston Park	£945,999
V7 Northern Parkland	£64,468
Off-site STC (Harlow Town Centre)	£6,315,000
Sawbridgeworth, London Rd Bus Service Improvement	£154,155
HGGT STC Contributions	£215,817
Pye Corner Public Realm Improvements	£77,900
Edinburgh Way Works	£899,444
Ecology Compensation - Forming Water Retention	£50,974
Stewardship Costs	£2,427,943
Total	**£68,657,334**

Continuum have compared the above cost with that estimated by Aecom for the PfP site through their cost plan exercise. Aecom's 2022 assessment estimates the Village 7 rebate cost at £51,503,800. Continuum believe this does not include the RIF, Sustainable Travel Corridor (STC) Harlow Town Centre contributions and V7 Northern Parkland which Savills / CBRE estimate at £16,326,168. Based on this, the comparable Savills / CBRE TW infrastructure contribution cost is £52,331,166 which is £827,366 higher than the cost estimated by Aecom. CBRE, TW and Savills have not provided a detailed line by line justification with supporting evidence to support their infrastructure contribution cost assessment.

Continuum would recommend that an independent cost consultant reviews the Aecom Village 7 rebate costs with that estimated by Savills / CBRE. From reviewing the two assessment of costs there appears to be a potential **£827,366** saving based on Continuum's review of the two assessments. This means when assessing CBRE's November 2022 policy compliant appraisal, the infrastructure contributions could be **£1,821,050** lower (£993,684 + £827,366).

5.2.11 S106 Contributions

CBRE include an allowance for S106 contributions in their November 2022 appraisals which they state have been provided by TW. The total contribution was £17,213,316.

In January 2023 response by CBRE they state that Savills have provided them with the latest position on contributions following discussion with East Herts which increased the contribution to £18,194,263. Continuum would note that BPS in their final review of the TW scheme in February 2023 state that they still required confirmation from East Herts in relation to the total S106 contributions.

The total S106 contributions can be broken down as follows:

S106 Contributions	**£**	**Estimated Triggers**
Early Years (Nursery Provisions on Site	£0	Provision made within cost plan
Library	£254,770	Prior to occupation of 800 dwellings
V7 Primary School Contribution	£12,614,232	Prior to occupation of 250 and 1,000 dwellings
Youth Contribution	£66,623	Prior to occupation of 200 dwellings
Travel Plan	£750,000	c. 20% prior to 1st occupation followed by an equal contribution per completed unit
Bus Subsidy	£1,000,000	c. 10% prior to 1st occupation, then approx. 10% every 75 units
Travel Plan Monitoring	£220,000	c. 20% prior to 1st occupation followed by an equal contribution per completed unit
STI Fund	£1,800,000	Three contributions at approx. 850, 13,50 and 1,500 dwellings
Emergency Services Hub	£261,811	Prior to occupation of 700 dwellings
Offiste Ecology: SSSI & Nature Reserve	£70,800	Prior to occupation of 250 dwellings
NHS (Primary Healthcare)	£0	Prior to occupation of 450 dwellings
Waste	£249,310	Prior to occupation of 60 dwellings

Playhouse Square	£42,409	Prior to occupation of 100 dwellings
Sculpture Trail	£6,361	Prior to occupation of 100 dwellings
Special Education Needs	£857,947	N/A
Total	**£18,194,263**	

Continuum's assessment of S106 contributions is based on the higher figure which means that the costs in the CBRE policy compliant appraisal should be £980,948 higher.

Continuum would add that they find it peculiar that East Herts never provided their final position on the total S106 contributions to BPS and would seek this information from them in order to check CBRE's / Savills' assessment of cost.

5.2.12 Finance Cost

CBRE adopted a higher finance rate of 7% when compared to the 6% adopted by TM for the PfP scheme and 6% adopted by HDH during the area wide viability assessment. CBRE provide no evidence or justification as to why they have adopted a different finance rate than HDH.

Due to the significant size of the scheme and it most likely being delivered by a national housebuilder, Continuum believe the 6% finance rate is more appropriate due to more favourable funding arrangements to national housebuilders.

A 1% basis point shift (which equates to a 14% decrease) in finance rate would have a huge impact on the total finance costs which for the policy compliant scheme equates to £34,290,292. Continuum estimate that a 1% shift in the finance rate would equate to an approximate 14% decrease in finance costs which would mean the policy compliant finance rate would reduce by **£4,577,575**.

The important element in relation to the finance cost is how it impacts the residual profit margin through the cash flow. Unfortunately, Continuum cannot determine the cost of finance through a cash flow function as one has not been provided by CBRE. Continuum request that a copy is provided to them, so they are able to fully scrutinise the cash flow and finance costs.

From the limited information CBRE have provided in relation to the development period assumed, Continuum would make the following comments:

- Continuum agree with the sale period of 78 months for the policy compliant appraisal's market units which would be based on 3 to 4 outlets and circa. 3 to 4 units a month.
- Continuum would usually expect the construction period of the houses to run until a month before the final sale and therefore be 83 months long. This would reduce the finance costs by spreading out the house construction costs further.
- Continuum would expect the affordable house sales to be based on a golden brick / development agreement basis which is the industry norm (see Former B&Q Appeal, APP/Q5245/W/20/3258552). It does not appear CBRE have cash flowed this due to its complexities. Cash flowing on a golden brick basis is more efficient and would reduce the development finance costs (RICS optimal development). Continuum would expect the affordable unit's gold brick / development agreement to be cash flowed as follows:
    - 25% at start on site of each affordable phase
    - 50% over construction of affordable phase
    - 25% at practical completion of affordable phase

- CBRE have assumed it would take 2.5 years until the first sale of a unit and have not provided a detailed justification as to why. This could be seen as conservative and means the scheme occurs substantial finance holding costs before any debt is paid down. Continuum would require a detailed justification for this as the RICS is clear that viability in planning should be based on optimal development.
- CBRE have assumed all of the land is purchased at day 1. This means the scheme has substantial finance holding costs. The RICS guidance is clear that viability in planning should be based on optimal development and how the market would usually deliver development. For large strategic sites of this scale, the market would normally purchase the land in tranches in order to reduce the finance cost burden. Due to this, Continuum would argue that the BLV should be drawn down in tranches over the development period as would be the industry norm and would mean the assessment is based on optimal development. This would reduce the estimated finance costs. Continuum would suggest the land is drawn down based on 4 traches of 25% of the BLV, with each draw down occurring every 2 years.
- It is unclear when the commercial serviced land is sold from the information provided by CBRE.

Overall, Continuum believe the finance costs could be reduced substantially based on a more efficient / optimal approach to cash flowing and by reducing the finance rate to 6%.

Continuum reserve the right to undertake a full detailed cash flow assessment of the scheme once further information has been provided by CBRE in relation to their cash flow assessment.

5.2.13 Site Disposal Fees Legals

Continuum agree with CBRE's assumptions in relation to site disposal fees which is SDLT at prevailing rate and 1% site agent fee and 0.5% site legal fee.

5.3 Residential Value Assessment

5.3.1 Market Sale Values

Market sale values have been estimated by CBRE who have undertaken a comparable assessment. The sale values have been based on the following comparable schemes:

- Gilden Park
- Terlings Park
- Stortford Fields
- Sawbridge Park
- Tudor Park

CBRE have estimated the following market values:

Type	Beds	NSA (sq ft)	Unit £	£/ sq ft
Flat 1	1	538	£240,000	£445.93
Flat 2	2	753	£320,000	£424.70
House 2	2	850	£400,000	£470.39
House 3	3	1,098	£500,000	£455.40
House 4	4	1,238	£575,000	£464.51
House 5	5	1,378	£645,000	£468.14

CBRE's average market sale value in their policy compliant appraisal is circa. £458 per sq ft.

Place Making Premium

CBRE argue that that they have:

"considered the delivery of Village 7 in the broader context of the Gilston Area development (Village 1-6) and that it is to be delivered early in the overall programme and therefore expected to have a negligible benefit from the impacts of wider placemaking and planned infrastructure" (November 2022: para. 4.19).

CBRE have not provided any evidence or justification to support their assertion. The development is estimated to take 9 years to deliver, and the final phases would benefit from the early delivery of significant strategic infrastructure such as public open space and transport.

TM in the PfP viability case highlight research undertaken by Knight Frank (KF), *Cost and Value, Building Better, Building Beautiful Commission* (2020). The Building Better, Building Beautiful Commission was set up by the Government in 2018 and in the KF research they conclude that design codes and place making can lead to a 15% sale value premium.

Continuum would have expected CBRE to undertake some sensitivity analysis testing in relation sale value premiums as would be required by the RICS. However, CBRE have not undertaken any sensitivity analysis assessment even though this is a requirement by the RICS through the Professional Statement (2019).

The RICS guidance states:

4.1.5 While the prospect of future value and cost change may be reflected in current market pricing, there is always some uncertainty and therefore market prices cannot be analysed or interpreted in a static environment. Simply using current costs and values, and ignoring changes over the life of a development, can distort the analysis in all but the simplest of cases. For example, where residual development values are positive, equal growth in both values and costs will always increase current residual land values, and the use of current values and costs in FVAs in a rising market has been shown in peer-reviewed academic research (e.g. Town Planning Review, (2019), 90, (4), 407–428) to have been instrumental in reducing the level of developer contributions over time.

4.1.6 It is recommended that, where assessors consider that the impacts of value and cost change are a significant factor in the market, these changes are identified and taken into account in the FVA, and sensitivity testing of these projections is undertaken in accordance with Valuation of development property, RICS guidance note. Any assumptions made concerning projections of costs and values in FVAs must be stated, and the evidence used to underpin projections explained.

It is clear from the RICS guidance, that sensitivity analysis is very important for a scheme of this significant scale and especially considering the high potential of achieving a place making premium. To ignore any sensitivity analysis would be a flaw for any FVA on this scheme and would not meet best practice as per the RICS guidance.

For context, a place making premium of 15% applied to the final 3 years of the policy compliant scheme's market units would equate to a market sale value increase of circa. £28m. This is based on CBRE's average market value of £479,756. The effects of place making premiums are substantial and to not have tested them through a sensitivity analysis is a fundamental flaw of the assessment of the scheme's viability.

Continuum's Comparable Assessment Cross Check

Continuum have cross checked the November 2022 appraisal values with recent achieved 2022 to Q1 2023 comparables of nearby large strategic housebuilder schemes. Continuum have assessed the following nearby schemes:

- Gilden Park, Harlow – 1,100 units with three housebuilders delivering units (Taylor Wimpey, Persimmon & Barratts)
- Base, Newhall, Harlow – 700 units being delivered by Countryside
- Sawbridge Park, Sawbridgeworth – 200 units being delivered by David Wilson Homes

Continuum have included comparable sales up to March 2023 due to the lag between completion and sale price agreed being usually around 3 months (though can be even longer when units are sold off plan). This therefore allows Continuum to gauge what the November 2022 sale values for the scheme are.

Appendix 3 outlines the comparable analysis undertaken by Continuum.

From review of the comparables provided by CBRE for Village 7 and Continuum's shown in Appendix 3, Continuum believe the majority of the units in the November 2022 assessment are valued appropriately when not taking into account *'place making premiums'* and assessing the values based on nearby traditional housebuilder sites.

5.3.2 Affordable Sale Values

Affordable sale values have been estimated by CBRE for the policy compliant appraisal based on a 75:25 tenure split between affordable rent and shared ownership. Continuum would add that East Herts policy requires a tenure split of 84:16.

CBRE explain that they have estimated the affordable values using *"industry benchmarks"* and *"relevant market information"*. They explain that the affordable rent values have been estimated based on Local Housing Allowance data to estimate rent per week which is then run through CBRE's affordable rent calculator. CBRE have not provided a detailed breakdown of what other inputs have been used in the calculator and Continuum would request this information, as without it, it is impossible to fully assess their estimation of value.

For the shared ownership units, CBRE state they have modelled this based on an initial 25% share with a 2.75% equity rent on the remaining unsold share. Again, CBRE have not provided a detailed breakdown of what other inputs have been used to estimate the shared ownership values and Continuum would request this information, as without it, it is impossible to fully assess their estimation of value.

Continuum add that they believe the initial 25% share is lower than what they see in the marketplace. For example, a recent scheme Continuum were involved in, the RP stated their average initial equity share was around 35%. Some nearby shared ownership units to the site have the following minimum share:

- Flora Gardens, CM20 1QR by Home Reach have a minimum share percentage of 50%
- Freight House in Bishop's Stortford also has a minimum share percentage of 50%
- Allerthorp Road, Bishop's Stortford again has a minimum shared percentage of 50%
- Ravensdale Way, Hertford has a minimum share of 40%.

Continuum believe the conservative 35% initial equity share is appropriate and could argue a higher share of 40% to 50%. This would therefore increase the shared ownership value.

5.4 Commercial Serviced Land Assessment

CBRE have assessed the non-residential element of the scheme based on serviced land sales which is standard practice for large strategic sites delivered by housebuilders.

CBRE have assumed the following commercial uses:

Table 4.9: Value Generating Commercial Uses

Land Use	Description	Amount
Non-Residential	Shop, Financial and professional services, Cafés or restaurants (Class E)	Up to 570m²
	Pub or drinking establishment (sui generis)	Up to 190m²
	Take away (sui generis)	Up to 190m²
	Office and any Light Industrial process (which can be carried out in any residential area without causing detriment to the amenity of the area) (Class E)	Up to 3,000m²
	Light Industrial process (which can be carried out in any residential area without causing detriment to the amenity of the area) (Class E) Industrial (Class B2) Storage or Distribution (Class B8)	Up to 2,100m²

Source: *CBRE, 2022.*

Policy GA1 requires employment areas of around 5 ha (12.35 acre) to be delivered across the 7 villages. The committee report at para. 13.8.8 states that an assessment undertaken by the HGGT team refined the 5 ha land area into employment floor space and identified a need of 34,000 sq m across the Gilston Area as a whole with 4,800 sq m to be delivered for Village 7. The committee report at the same para. states that the application identifies the employment floor space to be delivered in a mixed-use central core to the village with details of the uses to come forward through future stages.

Policy GA1 does not state what type of employment uses the site would need to accommodate and could include former B1a, B1c/B2 and B8.

The Committee report at para. 13.8.12 states that the quantum and distribution of employment floorspace will be determined following the completion of a market demand assessment to verify commercial market demand. Also, at para. 13.8.12 the report states that the S.106 Agreement should secure a minimum of 1,745 sq m of employment floorspace which is to be split as 1,195 sq m of office & light industrial and 550 sq m for nursery provision. The Applicant will be required to demonstrate that a market demand assessment has been undertaken to inform the type and location of employment land to be provided or safeguarded in the village.

Policy GA1 also states that the scheme should include neighbourhood centres in accessible locations, providing local retail and community uses (including healthcare facilities) to meet the day-to-day retail and health needs of new residents.

Overall, from review of the policy, it is clear that GA1 requires circa. 4,800 sq m of employment space at the subject site and this can include any of the following uses, former B1a, B1c/B2 and B8. The policy and planning application does not require a certain quantum or distribution of employment floor space per use and there would be nothing stopping the Applicant delivering only industrial / logistic space for example. The S106 agreement for the site will include securing a minimum of 1,195 sq m of employment floor space with 550 sq m for nursery provision and that a market demand assessment will be undertaken to inform the type and location.

The commercial serviced land values have been estimated based on a hypothetical residual land value assessment. The assumed employment area (former B1a, B1c/B2 and B8) equates to 5,100 sq m which is higher than the policy requirement of 4,800 sq m.

Continuum have also analysed the Illustrative Housing & Land Use Typologies Plan (December 2022) which provides further context in relation to the non-residential uses. The table below shows the breakdown from the plan:

Land Use	Ground Floor Non-Residential
Mixed Retail (E or sui generis) / Resi	820
Mixed Office (E) / Resi	975
Mixed Education (nursery, E) / Resi	550
Mixed Community (F2) / Resi	490
Retail (E or sui generis) at Brickhouse Barn	130
Office at Brickhouse Barn (E)	220
Community (F2) at Brickhouse Barn	570
Educational (F1)	2,381
Employment Space (E, B2, B8)	3,000
Employment Space (E, B2, B8) (can be converted to residential)	2,100
Total	**11,236**

Continuum have compared the above to what was assessed by CBRE. The total plan's mixed retail (E and sui generis) equates to 950 sq m (130 sq m is part of a barn conversion scheme). This is the same amount assumed by CBRE. For the employment area (E, B2, B8) CBRE assumed 5,100 sq m of area whereas the plan has 6,295 sq m of area (220 sq m is part of a barn conversion scheme). CBRE have assessed 1,195 sq m of less employment space than what is being proposed through the Illustrative Plan. Continuum would question this difference and would argue that the employment space should be assessed based on the Illustrative Plan as this is the optimum development being proposed.

The Illustrative Plan and Policy GA1 is clear that there is flexibility in terms of the type of uses that can be developed. For example, the Applicant does not have to deliver a pub use if it is less viable than retail and for the non-ground floor residential mixed employment space, the Applicant would not have to deliver office use if it is less viable than light industrial. Continuum have therefore assessed the non-residential space on this basis which is supported by the approach recommend by the RICS guidance in terms of optimal development.

Continuum would add that the nursery has been assumed to have no value whereas in reality nursery's do have a value. It may be that they are delivering the nursery at nil consideration to the Council through the S106 agreement. Continuum require clarification on this.

5.4.1 Employment Inputs

CBRE's residual appraisals have estimated the serviced employment land values as follows:

- Light industrial – £2,539,035
- Office – -£1,350,230

CBRE state that due to the office service land value being a negative figure, they have adopted a nominal value of £1 in their appraisal and argue that this is:

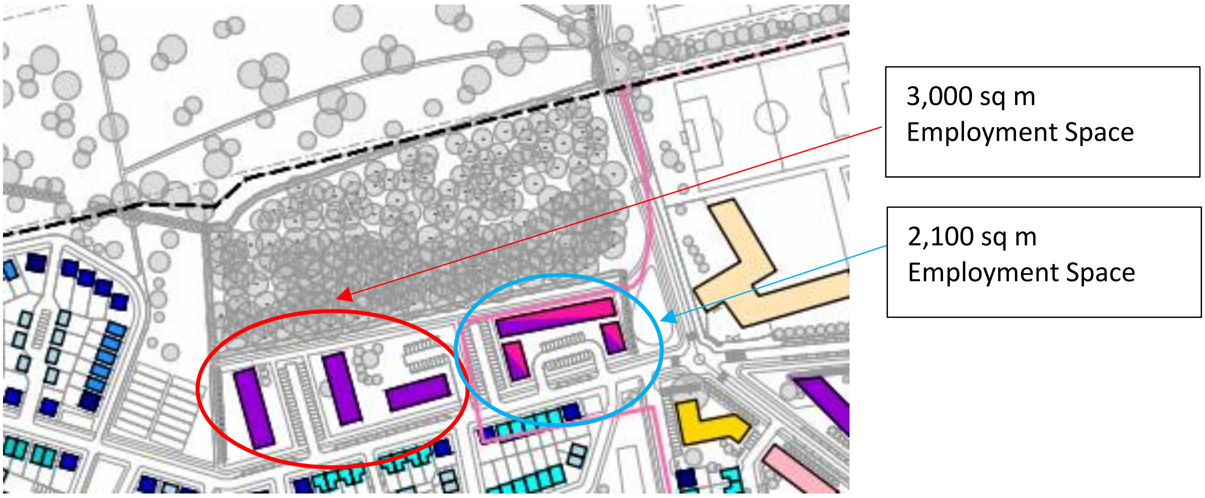
"an optimistic 'best case' scenario of costs / revenue neutrality for delivery of commercial uses." (November 2022: para. 4.36).

Based on the above, Continuum would question why the 3,000 sq m of employment space would be delivered as office use and not light industrial when taking into accounting optimal development. The RICS guidance is clear that when assessing sites, the FVA should be based on the most optimal use of the site and a less-optimal development should not be used to reduce developer contributions:

"The normal approach to the valuation of development property is to assume the optimal use of the asset, and if individual owners, developers and asset managers want to proceed with a significantly less-than-optimum investment or development, that should not affect price in a competitive environment. But in the case of an FVA, a less-optimal development should not be used to reduce developer contributions. In FVAs undertaken at the decision-taking stage, it is normal to start by reference to the FVA undertaken at the plan-making stage, which, other than for key strategic sites, will have been most likely undertaken on a typology basis. Even in an application-specific FVA where the actual scheme is assessed, assessors need to be aware of schemes that are not optimal and make any necessary adjustments." (4.2.6).

It is clear that CBRE's assessment therefore does not follow the RICS guidance.

From review of the Illustrative Plan, it is clear that the 3,000 sq m of employment space could be used as light industrial, considering it is adjacent to the 2,100 sq m of other employment space assumed as light industrial and its of similar block design as shown in the extract from the Plan below:



Source: *Barton Willmore, 2022*.

Based on this, if you took CBRE's November industrial employment land assessment at face value, the 3,000 sq m employment land would have an industrial serviced land value of £3,704,336 (based on CBRE's November industrial value of £1,234 per m2 of floor space).

In terms of the industrial land value appraisal, Continuum only take issue with the adopted profit margin at 20% of cost. For example, KF in the PfP viability case argue that they would recommend a profit margin of 15% on cost (circa. 13% on GDV) for employment uses. This profit margin is further support by the agreed position between consultants at the Former B&Q Appeal, Trafford (APP/Q5245/W/20/3258552) which was also at circa. 15% on cost / 13% on GDV profit margin.

The 15% on cost profit margin was also argued by BPS in their December 2022 review appraisals for the non-residential serviced land. Continuum would add that BPS do incorrectly state in the main report body that they have reduced the profit margin from 20% on GDV to 15% on GDV. Continuum believe this is a typo and was meant to state 20% on cost to 15% on cost. CBRE in their January 2023 response state that they agree with BPS 15% profit allowance, though again incorrectly state GDV instead of costs. It does therefore appear CBRE agree with the 15% on cost profit allowance.

BPS in their December review estimate the industrial RLV (2,100 sq m land) with a 15% on cost / 13% on GDV profit margin at £2,738,926. This is £199,891 higher than CBRE's assessment of the industrial land value (2,100 sq m). Continuum would therefore argue that the 2,100 sq m industrial serviced land has a value of circa. £2,739,000 (rounded). When pro-rating this on a £ per m2 land value per employment area for the adjacent 3,000 sq m employment land, this would equate to an industrial serviced land value of circa. £3,913,000. Continuum would therefore argue that the two employment land areas should be based on industrial uses and would have a serviced land value of £6,652,000. This is **£4,112,964** higher than what CBRE have estimated for the serviced employment land.

Continuum have cross-checked this serviced land value against the KF estimated land value per acre presented in the PfP viability case. KF argue that prime industrial land in Harlow could command a value of up to £2m per acre. CBRE have not provided the land area per acre for the employment areas, however Continuum have converted the two employment areas into a gross development acre based on the GIA being 35% of the gross development area. This equates to a total gross development area of 3.6 acres and a land value of circa. £1.8m per acre. Based on this Continuum believe their assessment of industrial serviced land is appropriate.

CBRE have not include an assessment of serviced land value for the two other office employment land shown in the Illustrative Plan. The first is the ground floor office with residential above at 975 sq m and the other is the barn conversion office space at 220 sq m. These two employment areas could not be light industrial due to proximity to residential and being a barn conversion that includes community uses.

To assess these two serviced land values Continuum have assumed the following inputs:

Input	Ground Floor Office with Resi Above	Barn Conversion Office	Reason
Rent	£18 per sq ft	£18 per sq ft	Same as CBRE
Yield	6.5%	6.5%	Same as CBRE
Rent Free	6 months	6 months	Same as CBRE
Purchaser's Costs	6.8%	6.8%	Same as CBRE
Base Build	£100 per sq ft	£123.46 per sq ft	Based on TM / KF assumption used in the PfP appraisal assessment. This assumes shell and core build. Conversion base build cost based on Henry Riley's assumption for community barn conversion. The Herny Riley cost most likely includes fit out which is why it is higher and would be higher than what Continuum would usually expect for the office use.

Externals	10%	10%	Same as CBRE
Contingency	3%	3%	Same as CBRE
Professional Fees	8% of base build	8% of base build	Same as CBRE
Letting Fees	15%	15%	Same as CBRE in their January 2023 response
Sale Disposal Fees	1.5%	1.5%	Same as CBRE
Finance	7% and 12-months build	7% and 9-months build	Same as CBRE, though shorter build period for barn conversion to office as less work involved.
Site Disposal Fees	SDLT at prevailing rate and 1.5%	SDLT at prevailing rate and 1.5%	Same as CBRE
Profit	15% on cost	15% on cost	As supported by Former B&Q Appeal and BPS.

The output RLV from Continuum's appraisal assessment is as follows (see **Appendix 4** for appraisals):

- Ground Floor Office with Resi Above – £805,000 (rounded)
- Barn Conversion Office – £129,000 (rounded)
- Total – £934,000

Continuum would note that it could be argued that the above uses could be other E uses such as retail which would have a higher value.

Overall, Continuum estimate the total employment serviced land value (office & light industrial) at £7,586,000. This is **£5,046,964** higher than CBRE's estimation of employment serviced land value.

5.4.2 Retail Serviced Land Value

For the retail serviced land, CBRE have estimated land values based on three different uses:

- Shop, financial and professional services, cafes or restaurants (E)
- Pub or drinking establishment (sui generis)
- Takeaway (sui generis)

CBRE have then estimated the serviced land value at £779,638.

When analysing CBRE's appraisal it is clear that the pub use has a lower land value than the other uses due to its significantly higher cost. Continuum would argue that the assessment of the retail / sui generis area should be based on the most optimal use as required by the RICS.

Also, from looking at the Illustrative Plan it is clear that two types of retail / sui generis area is being proposed, these are:

- Mixed ground floor retail with residential above; and
- Bran conversion retail.

Continuum would argue that the retail serviced land value should be based on the above and have assumed the following inputs in their assessment:

Input	Ground Floor Retail with Resi Above	Barn Conversion Retail	Reason
Rent	£23.50 per sq ft	£23.50 per sq ft	Midpoint of CBRE's rent for shops / café / restaurants and pubs / takeaway.
Yield	6%	6%	Same as CBRE
Rent Free	6 months	6 months	Same as CBRE
Purchaser's Costs	6.8%	6.8%	Same as CBRE
Base Build	£100 per sq ft	£123.46 per sq ft	Based on TM / KF assumption used in the PfP appraisal assessment. This assumes shell and core build. Conversion base build cost based on Henry Riley's assumption for community barn conversion. The Herny Riley cost most likely includes fit out which is why it is higher and would be higher than what Continuum would usually expect for the retail use.
Externals	10%	10%	Same as CBRE
Contingency	3%	3%	Same as CBRE
Professional Fees	8% of base build	8% of base build	Same as CBRE
Letting Fees	15%	15%	Same as CBRE in their January 2023 response
Sale Disposal Fees	1.5%	1.5%	Same as CBRE
Finance	7% and 12-months build	7% and 9-months build	Same as CBRE, though shorter build period for barn conversion to retail as less work involved.
Site Disposal Fees	SDLT at prevailing rate and 1.5%	SDLT at prevailing rate and 1.5%	Same as CBRE
Profit	15% on cost	15% on cost	As supported by Former B&Q Appeal and BPS.

The output RLV from Continuum's appraisal assessment is as follows (see **Appendix 4** for appraisals):

- Ground Floor Retail with Resi Above – £1,366,000 (rounded)
- Barn Conversion Office – £192,000 (rounded)
- Total – £1,558,000

Based on the above, Continuum believe the retail employment serviced land value should be **£778,362** higher than CBRE's estimation.

5.5 Profit Margin Assessment

Continuum agree with the 6% on GDV profit margin for affordable housing which is supported by numerous appeals decisions.

CBRE argue that a 20% on market GDV profit margin for the market housing is appropriate and state:

"commensurate with the level of risk involved in the delivery of the Proposed Development in the current market." (November 2022: table 4.19).

CBRE provide no evidence or risk adjusted return assessment to support their profit margin assumption, apart from referencing that HDH in their area wide viability assessment (2019) also adopted 20% on GDV market profit margin.

In terms of HDH's assessment and the profit margin adopted, Continuum would highlight the following statements in the HDH report:

"In the initial iteration of this assessment the developers' return was assumed to be 17.5% of the value of market housing (being the midpoint in the range suggested by the PPG) and 6% of the value of affordable housing. This is in line with the updated PPG. In relation to non-residential development, an assumption of 15% is used. These assumptions should be considered with the assumption about interest rates in the previous section, where a cautious approach was taken with a relatively high interest rate, and the assumption that interest is charged on the whole of the development cost. Further consideration should also be given to the contingency sum in the appraisals which is also reflective of the risks." (para. 7.64).

And;

"Another consultee [Gilston – Village 7] suggested that 20%, and another [Water Lane – West Summers] 20% to 25%, be applied and this should be regarded as a minimum. As set out above, paragraph 10-018-20180724 of the updated PPG says that '... for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ...'

In this iteration of this assessment the developers' return is assumed to be 20% of the value of market housing (being the top end of the range suggested by the PPG) and 6% of the value of affordable housing. The 20% / 6% assumption is broadly equivalent to 17.5% of total GDV. This may be seen as an overly cautious approach, bearing in mind the suggested range in the PPG, however, does reflect the comments of consultees." (para. 7.67 and 7.68).

It is clear from the above that HDH originally believed 17.5% on GDV for market housing was the appropriate profit margin but decided to adopt a higher figure based on comments from two land promoters. HDH even conclude that their assessment of profit is *'overly cautious'* which could be argued to suggest that lower returns could be appropriate for the proposed scheme.

Continuum would highlight that the approach of adopting a lower profit margin than the area wider viability assessment is supported by appeal decisions, where Inspectors have concluded that Local Plan inputs are sometime more cautious and include viability buffers, for example the Footzie Social Club, Bromley Appeal (APP/G5180/W/20/3257010). From the statements from HDH, it is clear that they also took a more cautious approach in their assessment of the profit margin and included viability buffers by adopting the 20% on GDV profit margin, even though they initially argued 17.5% on GDV was appropriate.

Continuum have sought to assess the appropriate profit margin for the market housing scheme by assessing appeal decisions and undertaking a risk adjusted return assessment. The table below lists a number of recent appeal decisions and the market profit margins assumed:

Appeals	**Reference**	**Profit (% on GDV)**	**Date**
South Down National Park Authority	APP/Y9507/W/23/2214274	18.50%	Jun-23
East Northamptonshire Council	APP/G2815/W/22/3295009	17.50%	Jan-23
Mole Valley District Council	APP/C3620/W/21/3268657	17.50%*	Aug-22
Old Crofts Bank, Trafford	APP/Q4245/W/21/3279610	17.50%	May-22
Former B&Q, Trafford	APP/Q4245/W/20/3258552	17.50%	May-22
Warburton Lane, Trafford	APP/Q4245/W/19/3243720	18.00%	Jan-21
Luton Council	APP/B0230/W/3235438	15.00%	Jan-20
Barnsley Council	APP/R4408/W/17/3170851	17.50%	Oct-17
Redbridge Council	APP/W5780/W/18/3200299	17.50%	Jan-19
Kensighton & Chelsea	APP/K5600/W/20/3253655	17.50%	Apr-21
Bromley Council	APP/G5180/W/20/3257010	17.50%	Mar-21
Crawley Council	APP/Q3820/W/21/3267296	17.50%	Sep-21
Elmbridge Council	APP/K3605/W/20/3248698	17.50%	Mar-21
Lewisham Council	APP/C5690/W/19/3242037	17.25%	Feb-21
Reading Council	APP/E0345/W/20/3250572	17.00%	Jan-21
Chorley Council	APP/D2320/W/20/3265785	18.00%	Jun-21

**the Inspector concluded profit margin should lie somewhere between 15% to 20%.*

The above appeals show a baseline market profit margin of around 17.5% on GDV for schemes ranging in size, type and location. A number of the appeals occurred during uncertain periods, such as during the start of COVID, Liz Truss's Autumn budget and Ukraine war.

Continuum believe the risk assessment for a housebuilder building out Village 7 would not be too dissimilar to a number of the appeal decisions discussed above and would therefore support the adoption of a 17.5% on GDV profit margin. Continuum would also argue that the full assessment of cost including contingency deals with the construction risk of the project.

Continuum believe that the market profit margin of 17.5% on GDV should be applied as it allows the developer to *'strike a balance'* with landowner return and planning obligations (see PPG para. 10). The profit margin reduction would equate to £10,794,500 based on CBRE's assessment of market value.

CBRE in their November 2022 assessment do not include a profit margin for the serviced land sales. BPS in their December 2022 review argue that there should be a profit margin attached to the serviced land sales and that this should be circa. 10.5% on GDV. CBRE in their January 2023 response accept this position. Based on

Continuum's assessment of land sales, this would equate to a profit margin of £978,810. Continuum accept this profit margin percentage.

Taking into account the market housing profit savings and the additional serviced land sales profit margin, Continuum's estimated profit margin reduction equates to **£9,834,380**.

5.6 Benchmark Land Value

CBRE have estimated the Benchmark Land Value (BLV) based on applying HDH's 2019 BLV assumption of circa. £322,500 per ha / £130,512 per gross acre. This equates to a total BLV of £37,861,500.

They have split their BLV as follows:

- EUV at £12,852 per acre (£3,728,306)
- Premium circa. 10 times

CBRE have then sought to support their BLV further by stating that the East Herts Strategic Site Delivery Study (September 2015) by PBA estimated a BLV of £150,000 per gross acre for the 4 strategic sites (incl. Gilston). The BLV assumption came from ATLAS and East Herts. This assessment included strategic infrastructure, abnormals and S106 contributions of £514,874,641 for the whole Gilston Area in 2015. CBRE & TM estimate this at £966,733,738 in Q4 2022. This is an 87.76% increase in cost compared to BCIS All Tender Price cost inflation over the period of 38.38%. Based on the PPG, Continuum would argue that the BLV would need to be adjusted from the PBA / ATLAS 2015 assessment to reflect the large increase in strategic infrastructure and abnormal costs over inflation (as required by the PPG). It should be noted that PBA in 2015 concluded that Gilston could viably support 40% affordable housing.

CBRE have also referenced the historic research undertaken for the former Department for Communities and Local Government by TM called Cumulative impacts of regulations on house builders and landowners: Research Paper (2011). In this assessment, TM argue that they see minimum land values for greenfield strategic land at circa. £100,000 to £150,000 per gross acre. Continuum would highlight that this research is historic and predates the NPPF and PPG on Viability.

CBRE argue that that the BLV should be up to £150,000 per gross acre based on the above evidence but then adopt HDH's BLV of £130,512 per gross acre.

Continuum would argue that CBRE's assessment of BLV does not follow the requirements of the PPG and RICS guidance / professional statement. This is because CBRE have also not explained how their approach to BLV takes into account infrastructure and abnormal costs, especially due to the estimated infrastructure and abnormal costs being significantly higher than what was assumed by HDH. It is clear that due to increases in abnormal costs, the BLV assumed should have reduced from HDH's estimation. This is clearly stated by HDH in 2019:

"By way of example, there are several very significant specific abnormal costs. To deliver the Gilston sites a new electricity substation is needed. The estimated cost is over £25,000,000 (this is to be confirmed). This has not been included in the appraisals. Whilst it is a cost, that cost would be offset by an equal reduction in the BLV." (para. 7.25).

A guidance note on assessing decision making viability was produced by BPS and HDH for HGGT. The HGGT guidance note, A Harlow & Gilston Garden Town 'How To' Guide for …Planning Obligations, Land Value Capture and Development Viability (2019) states that FVAs should:

"V. List of Abnormal Costs that the applicant has identified which have been taken into account when defining the Benchmark Land Value;" (pg. 9).

Based on this, it is clear that the adopted BLV is too high and not consistent with HDH's area wider viability assessment (2019), the HGGT guidance note (2019), PPG and RICS guidance and should reduce to reflect the substantial infrastructure and abnormal costs assumed by CBRE / Henry Riley.

Continuum have assessed the purchase price of the subject site by analysing Land Registry titles. The analysis shows that TW bought the site for £62,323,760 in July 2021. Continuum have also assessed what the previous Applicant, Briggens Estate 1 Ltd, bought the site for. This analysis shows that an internal land transfer occurred in July 2018 at the price of £8,426,000 between Briggens Estate LLP and Briggens Estate 1 Ltd. This is substantially lower than the TW 2021 purchase price.

The PPG is clear that the BLV should be the minimum price required to incentivise the landowner to sell their land for development.

Overall, Continuum state that CBRE's approach to BLV does not follow PPG or RICS guidance or the requirements of the HGGT guidance note (2019).

5.7 Continuum's Viabiltiy Shift

From a detailed review of the viability case made by CBRE on behalf of TW, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Saving	Reason
Housebuilder Standard Build Costs (incl. garages)	£37.9m (garages as a proportion is circa. £3m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Future Homes Standards	£7.5m Cost saving	Continuum disagree with the inclusion of the Future Homes Standards uplift cost (2025 become statutory) which was also excluded from the Turner Morum (TM) assessment of the PfP site. This is because FVAs should be based on a present value assessment (see RICS Guidance section 4).
EV Charging Points	£1.1m Cost saving	Continuum would argue that the EV charging point costs should be at the same level as HDH in 2019 after adjusting for cost inflation. This equates to £280 per unit instead of CBRE's assessment at £1,000 per unit.
Building Regs. Part M4	£0.1m Cost saving	Continuum estimate a small saving based on applying the EC Harris Building Regs. M4 compliance estimates on a unit type basis.

Non-Resi Community Standard Build Costs	This cost could be lower and should be assessed further by a cost consultant.	This cost could be lower especially when comparing to the PfP FVA and should be assessed further by a cost consultant.
Standard Contingency	£2.4m (based on Continuum's costs) Cost saving	Continuum would argue that the same contingency assumption as used by TM and HDH should be adopted which is 2.5% compared to CBRE's at 3%.
Sales Disposal Fees	£3.9m (based on CBRE's policy compliant values)	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. CBRE have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Standard Professional Fees	£9.8m	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. CBRE adopted an allowance of 8%.
Infrastructure, Abnormals & S106 (incl. community buildings)	Lack of evidence or justification for an increase of 69% when compared to the HDH assessment	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). CBRE, TW and Henry Riley do not separately itemise the abnormal costs in their assessment but from a detailed review of the Henry Riley cost plan, a large number of items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the CBRE assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Finance Cost	£4.6m + Cost saving	Continuum would argue that the finance rate should be at the same level as TM for the PfP scheme which is 6% instead of 7%. CBRE have not provided a cash flow, so Continuum cannot fully assess the finance costs, however, Continuum take issue with a number of cash flow / development period assumptions CBRE have made which would decrease the total finance cost.
Market Sale Values	CBRE to run a sensitivity analysis (as required by the RICS) reflecting place making premium	A sensitivity analysis should be undertaken on place making premium's that could be around 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4.

Affordable Sale Values	CBRE to provide a full breakdown of how they calculated the affordable values.	CBRE have not provided a detailed breakdown of all the inputs used to estimate the affordable housing values. Continuum would request this information, as without it, it is impossible to fully assess their estimation of value.
Commercial Serviced Land Values	£5.8m Value increase	Based on assessing the most optimal commercial uses and assessing the uses based on the most recent Illustrative Master Plan which outlines more commercial area than assessed by CBRE. Continuum have then undertaken their own assessment of the commercial serviced land values based on their opinion of appropriate profit margin, build costs (based on TM's FVA) and other inputs.
Market Profit Margin (incl. adjustment for commercial land profit)	£9.8m (incl. adjusting for commercial land profit) Profit saving	Based on recent appeal decisions and risk adjusted return assessment. Continuum would argue the market profit margin should be 17.5% on GDV. Continuum also agree with the inclusion of a 10.5% on GDV profit for the commercial serviced land which was not included in CBRE's November appraisal but argued by BPS and CBRE in January 2023.
BLV	Needs to reflect the substantial increase in abnormal and infrastructure costs compared to the HDH assessment.	CBRE's BLV assessment does not follow the requirements of the PPG, RICS Guidance, HDH area wide viability assessment or HGGT guidance note on viability, which states that abnormal costs and infrastructure should be reflected in the BLV. CBRE rely on HDH's BLV which is based on a site without abnormal costs. CBRE's assessment includes a substantial amount of abnormal / infrastructure costs and therefore cannot use the same BLV per acre as HDH.
Total	Total of viability savings estimated = circa. £83m + (the reduction in BLV to reflect abnormals / infrastructure and the double counting of infrastructure with external works could equate to a further saving of over £50m)	

CBRE have provided a policy compliant appraisal which based on their inputs shows a viability gap of circa. £58.5m. Continuum's assessment of the scheme as summarised by the table above, highlights that there is more than enough viability savings in order for the scheme to be able to support its full affordable housing contribution.

6. Continuum's Independent Assessment of BPS's Reviews of the Viability Case Made

BPS were instructed by East Herts to review the FVA produced by CBRE. Over the review period between December 2022 to February 2023, BPS produced two reports, these are:

- Initial full review of CBRE's November 2022 FVA dated December 2022
- Final Review of CBRE's January 2023 response dated February 2023

Continuum have reviewed the assessments undertaken by BPS.

6.1 Summary of BPS's Reviews

BPS first full assessment in December 2022 reviewed CBRE's November 2022 FVA. In this assessment they conclude that based on their appraisal assessment of the 21.65% affordable housing appraisal there is a surplus of £3.27m that could support additional affordable housing. The main areas of disagreement or further clarification in the December 2022 review are as follows:

Input	BPS's Position
Non-Residential Serviced Land	BPS agree with all of CBRE's appraisal inputs for the non-residential serviced land apart from the commercial profit margin where they argue it should be 15% on cost (though incorrectly state profit on GDV in their report but use profit on cost in the appraisals) and letting agent fees, which they argue should be 10%. BPS's commercial land value is £322,738 higher than CBRE's.
Strategic Infrastructure	BPS argue this should be £58,680,359 due to them removing the professional fee and contingency allowance which they incorrectly state is included in the appraisal elsewhere. This is an incorrect assessment by BPS and their cost consultant Mr Powling.
Infrastructure Contributions	BPS state they require further clarity on this input.
S106 Costs	BPS state they require further clarity on this input.
Commercial Land Sale Profit	BPS argue that CBRE should include a 10.5% on GDV profit margin for the serviced commercial land sale, whereas CBRE have not include any profit margin. BPS argue their approach is consistent with Villages 1-6.
Cash Flow	BPS state they require further clarity and more detail around the development timings used by CBRE.
Housing Infrastructure Grant	BPS state they require further clarity about whether Village 7 would receive any Housing Infrastructure Grant.

BPS agree to the majority of inputs in their initial assessment of CBRE's FVA and do not raise any concerns around the BLV as BPS did in their first assessment of Village 1-6 in August 2022.

Following BPS's review, CBRE provide a response to BPS's December 2022 assessment. In CBRE's January 2023 response they agree to the following inputs:

- Commercial letting agent fees at 10%
- Commercial profit at 15% on cost (though incorrectly state profit on GDV due to BPS's typo in their report)
- Commercial land sale profit at 10.5% of the serviced land value

CBRE provided further clarity on the other issues raised as follows:

- Strategic infrastructure – CBRE explain that they have not accounted for professional fees and contingency elsewhere so this figure should not be reduced by circa. £8.6m
- Infrastructure Contributions – CBRE provide further clarity and updated cost of £68,657,334 (£993,684 less)
- S106 costs – CBRE provide an updated cost provided by Savills (planning agent) of £18,194,263 (£980,938 increase)
- Housing Infrastructure Grant – CBRE provide further clarity and state that the funds are drawn down by PfP and TW receive none of the grant monies.

CBRE conclude in 2023:

"It is CBRE's expectation that if BPS agree with the points raised above, that the revisions to BPS' viability modelling outputs will result in a reduction in affordable housing provision below the rate of 21.65% (60/40 tenure split) as determined by CBRE within the CBRE FVS.

Having discussed this with TW, CBRE understands that TW will continue to maintain the offer of 21.65% affordable housing (60/40 tenure split) to the Council as goodwill at their commercial risk, with this offer made on a without prejudice basis and contingent on the planning application securing a prompt local approval." (January 2023: pg. 8).

CBRE do not provided any further clarity or justification around the cash flow and development timings in their January 2023 response.

BPS then provide a final review of the scheme and response to CBRE in February 2023. This final review is a very short document (5 pages of text). The final review highlights that BPS agree with all of the inputs, though they state they require input from East Herts around the appropriateness of the S106 contributions total cost. BPS's February 2023 report concludes that the scheme cannot viably support 21.65% affordable housing and now outputs a deficit of £13.5m. They argue that:

"On this basis there is no viability justification for seeking an enhanced level of affordable housing at this stage." (February 2023: para. 3.2).

BPS also conclude that they recommend that staged reviews of viability are included with the S106 agreement, though they do not explain what this review would look like.

Continuum would highlight that BPS's final February 2023 appraisal has some significant mistakes, for example:

- Strategic infrastructure works at £5,610,220 higher than Henry Riley's / CBRE Assessment
- Standard professional fees applied to the strategic infrastructure work and therefore £5,385,097 higher than it should be

The above mistakes have led to an increase in cost as well as a circa. £2,582,719 increase in finance costs. The above mistakes lead to a circa. £13.6m increase in cost. This means that BPS's February 2023 conclusion is incorrect and should have stated that the 21.65% affordable housing scenario was viable.

BPS in their August 2022 report on Village 1-6 highlight that HDH have reviewed their initial 2019 area wide viability assessment and conclude in May 2022 that:

"45. The above data shows that the average values of newbuild property have increased by about 20% and build costs by about 12%. The Residual Value will have increased, indicating that viability will therefore have improved.

Further, the costs of providing the infrastructure have been reduced, suggesting that viability will have improved, noting however that some of the reduction is likely to be due to changes in the approach taken within the IDP.

46. The additional costs of national policy will add to the costs of development, but this, even when taken together, is going to be substantially less than the increase in average newbuild values.

47. The HGGT Partnership can continue to rely of the Harlow and Gilston Garden Town Strategic Viability Assessment (HDH, April 2019), although the report is now likely to understate the Residual Values somewhat."

BPS do not highlight this work in their reviews of Village 7.

6.2 Continuum's Assessment of BPS's Reviews

6.2.1 BLV

BPS in their December 2022 report argue that they accepted CBRE's BLV as it is the same approach taken by TM for Villages 1-6.

Continuum find it peculiar that BPS did not raise an issue with CBRE adopting the same BLV per acre as the area wide viability assessment by HDH, even though CBRE's appraisal has significantly higher infrastructure and abnormal costs.

BPS have failed to highlight the inconsistencies in the approach to BLV by CBRE when compared to HDH, PPG and RICS guidance which all state that the BLV should reflect abnormal and infrastructure costs. HDH is clear that their BLV reflects land without abnormal costs and if any abnormal costs are included at the decision-making stage these should be reflected through a lower BLV. The HGGT guidance note on viability (2019) also states that abnormals should be reflected in the BLV (BPS were an author of this document with HDH). Continuum are confused why BPS never raised this point.

6.2.2 Non-Residential Land

BPS in their report do not highlight that CBRE have not assessed all of the non-residential land proposed through the Illustrative Masterplan.

BPS in their report also do not highlight that CBRE have assessed some elements of the non-residential land on a non-optimal development basis. For example, office land at £1 or public house uses with higher costs to normal retail uses. Continuum find it unusual a reviewer would not have picked up on this point, especially in relation to the office land (3,000 m2), that clearly could be sold as industrial land from reviewing the Plan, which is its most optimal use.

6.2.3 Strategic Infrastructure Costs / Infrastructure Contributions / S106 Contributions

BPS retain a cost consultant, Neil Powling, who assess all build costs for them. Mr Powling has reviewed the Henry Riley cost plan which includes the strategic infrastructure costs and produced a very short report (Appendix 1 of the December 2022 review) what includes 3 small paragraphs on these cost elements (para. 1.5, para. 3.5 and para. 3.12). Mr Powling's main analysis of these cost elements is their incorrect assumption that CBRE have double counted the professional fees and contingency allowance in their appraisal by including the Herny Riley costs that include professional fees and contingency.

From the report, it appears Mr Powling agrees with all of the costs in the cost plan. However, it does not appear Mr Powling has undertaken a detailed cost review assessment of the costs, which based on Continuum's experience, would lead to a detailed document being produced by the reviewer that explains all cost assumptions on a line-by-line basis. Continuum would argue that the assessment is *'extremely light touch'* and does not appear to have analysed the costs in detail that is required for a scheme with infrastructure / abnormals costs of this scale.

Mr Powling does not appear to have asked or explored whether value engineering has been considered by Henry Riley, which Continuum again find unusual for a cost consultant assessing a scheme and is a key question the RICS guidance seeks clarification on.

In Continuum's opinion working for Local Authorities across the country and instructing cost consultants to review infrastructure and abnormal costs provided by Applicants during viability in planning negotiations, the assessment of Mr Powling does not meet the required standard a viability assessor or Council would need in order to be satisfied that full due diligence has been undertaken.

In terms of the infrastructure contributions, Continuum find it unusual that Mr Powling was not instructed to compare the TW / CBRE estimated cost with the Aecom cost plan part of the PfP viability case, which highlights the rebate infrastructure contributions through a detail cost plan exercise. Based on this simple exercise, it becomes clear that TW / CBRE are arguing a higher cost than Aecom through their detailed cost plan. Continuum would highlight that BPS did request further clarification on the infrastructure contribution and evidence of the agreement between TW and PfP around the infrastructure contributions, though this detail does not appear to have been provided to BPS.

Continuum would also raise the issue that BPS's final appraisal includes mistakes around the strategic infrastructure works as highlighted at section 6.1 which has led to a circa. £13.6m of additional cost in their final appraisal.

In terms of the S106 contributions, Continuum find it peculiar that they were unable to get confirmation from their Client, East Herts, that the S106 contribution assumption was correct.

BPS and Mr Powling have also not sought to explore the difference between the HDH / Arup assessment of costs and the CBRE / TW / Henry Riley assessment and why there has been a substantial change (e.g. 69% shift in strategic infrastructure, abnormal and S106 costs). They do not seek to understand what costs would be abnormal and whether there is any double counting with standard external works and BLV.

6.2.4 Standard Build Costs

Mr Powling assessed the standard build costs and agreed that the median BCIS figure was acceptable for large regional and national housebuilders base build costs (most likely type of housebuilder to deliver units at the site due to the scale).

Mr Powling argues in his very short cost review report that the BCIS costs for benchmarking is better than other companies using their own data. He argues:

"Many companies [cost consultants] prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger

is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny." (para. 2.1).

Continuum would argue that BCIS data is inappropriate when trying to use it to assess housebuilder estate housing schemes. This is because many QS's (Warburton Lane Appeal & Keppie Massie during Local Plan Viability Assessments) have stated that regional and national housebuilder do not provide data to BCIS. Keppie Massie and WYG's own analysis has also shown that most schemes that are included in the BCIS estate housing data base are small schemes with Keppie Massie finding that in 2017 to 2019, the BCIS published data's average number of dwellings was only 10. Based on this, Continuum would argue that basing the base build costs on median BCIS is inherently flawed.

Mr Powling states at para. 2.7 of his report that they require a cost plan prepared by the Applicant in order to undertake their benchmarking of costs. It appears Mr Powling believe a full cost plan assessment of housebuilder costs should have really been provided by CBRE and TW, though Mr Powling and BPS did not request this further information.

Continuum would add that BPS and Mr Powling did not challenge the additional allowance for garage costs even though it appears HDH included garages costs in their external works percentage.

6.2.5 EV Charging Points, Future Homes Standards & M4 Compliance

Mr Powling does not provide a detailed analysis around the EV charging point, Future Homes Standards and M4 compliance cost and only includes one sentence which states he agrees with the allowances made. Mr Powling have not compared the EV charging cost to the HDH assessment which shows that CBRE have adopted a significantly higher cost. BPS and Mr Powling also do not highlight that TM in the PfP viability case do not adopt a cost for Future Homes Standards whereas CBRE do in the TW assessment. This inconsistency between the two is not flagged. Continuum would have expected BPS and Mr Powling to argue for the removal of the Future Homes Standards cost as including it means a present value assessment is not undertaken.

6.2.6 Affordable Housing Values

BPS main reason why they agree to the affordable housing values is due to it being at the same level as TM in the PfP viability case. Continuum do find it unusual BPS did not require the full breakdown of inputs and calculation CBRE used to estimate the affordable housing values.

6.2.7 Sale Disposal Fees

BPS in their August 2022 report on the PfP scheme stated that 3.5% on GDV sale disposal fees was a full allowance and higher than what they would expect but adopt the figure anyway. BPS do not raise this point in their assessment of the TW scheme and state that the percentage is in line with market norms.

6.2.8 Housebuilder Professional Fees

Continuum find it unusual that BPS did not highlight how large housebuilders achieve significant professional fee cost savings due to undertaking most elements in-house. Continuum would argue that 8% standard professional fee adopted is significantly higher than what they would expect.

6.2.9 Market Profit Margin

BPS agreed with CBRE’s 20% on GDV market profit margin due to the scheme being:

“a large scale development and that the applicant is taking the scheme through the planning process, which carries significant risk. Overall we consider that a 20% on GDV target is reasonable.” (December 2022: para. 7.17).

Continuum would highlight that they disagree with the 20% on GDV market profit margin and believe appeal decisions support a lower profit margin which would *‘strike a balance’* between developers returns, with landowners returns and planning obligations (see para. 10 of the PPG).

6.2.10 Finance Costs

Continuum find it unusual that BPS did not raise the point that CBRE adopted a higher finance rate than TM in the PfP viability case and HDH in the area wide viability assessment. The effect of this change could be a cost saving of around £4.6m.

BPS in their December 2022 assessment require further clarification from CBRE around development timings and approach to cash flowing. This is ignored by CBRE in their January 2023 response. BPS’s February 2023 final report appears to show that they do not fully agree with the development timings / cash flowing, though they did not explain this in detail.

For a complex scheme such as Village 7, Continuum would have expected a full detailed assessment of CBRE’s cash flow and if clarity was not provided by CBRE around the cash flow, a follow up requesting more information prior to a final report.

7. Conclusion

From a detailed review of the viability case made by CBRE on behalf of TW, Continuum believe the viability of the scheme could be improved considerably as highlighted by the table below:

Inputs	Est. Viability Saving	Reason
Housebuilder Standard Build Costs (incl. garages)	£37.9m (garages as a proportion is circa. £3m) Cost saving	Based on appeal decisions and local plan viability assessments which highlights the weakness in using BCIS for housebuilder base build costs and that Lower Quartile (LQ) BCIS with deductions should be used. Garages are already accounted for in the external works percentage. Cost have been compared with estimated standard build costs with a South East housebuilder scheme which supports Continuum's assessment of cost.
Future Homes Standards	£7.5m Cost saving	Continuum disagree with the inclusion of the Future Homes Standards uplift cost (2025 become statutory) which was also excluded from the Turner Morum (TM) assessment of the PfP site. This is because FVAs should be based on a present value assessment (see RICS Guidance section 4).
EV Charging Points	£1.1m Cost saving	Continuum would argue that the EV charging point costs should be at the same level as HDH in 2019 after adjusting for cost inflation. This equates to £280 per unit instead of CBRE's assessment at £1,000 per unit.
Building Regs. Part M4	£0.1m Cost saving	Continuum estimate a small saving based on applying the EC Harris Building Regs. M4 compliance estimates on a unit type basis.
Non-Resi Community Standard Build Costs	This cost could be lower and should be assessed further by a cost consultant.	This cost could be lower especially when comparing to the PfP FVA and should be assessed further by a cost consultant.
Standard Contingency	£2.4m (based on Continuum's costs) Cost saving	Continuum would argue that the same contingency assumption as used by TM and HDH should be adopted which is 2.5% compared to CBRE's at 3%.
Sales Disposal Fees	£3.9m (based on CBRE's policy compliant values)	Based on recent appeals and FVAs that support 2.5% on GDV sales & marketing and £650 per unit legal fees. CBRE have assumed 3% sales & marketing, 0.5% market legal fees and 0.5% affordable housing disposal fees.
Standard Professional Fees	£9.8m	Based on recent appeals and FVAs that support 5% professional fee allowance on standard build costs for volume housebuilders. CBRE adopted an allowance of 8%.

Infrastructure, Abnormals & S106 (incl. community buildings)	Lack of evidence or justification for an increase of 69% when compared to the HDH assessment	Total Infrastructure / S106 outlined in the Infrastructure Delivery Plan (estimated by ARUP in 2019) should have increased in line with inflation (the outputs appear not to have changed). The result being that the substantial increase in cost is down to abnormals (or standard infrastructure / external works). CBRE, TW and Henry Riley do not separately itemise the abnormal costs in their assessment but from a detailed review of the Henry Riley cost plan, a large number of items would be considered as standard (not abnormal) for a major development. We therefore deduce that double counting has occurred in the CBRE assessment, either with the BLV which should reflect abnormal costs (and infrastructure costs) or with standard external works as assessed by HDH.
Finance Cost	£4.6m + Cost saving	Continuum would argue that the finance rate should be at the same level as TM for the PfP scheme which is 6% instead of 7%. CBRE have not provided a cash flow, so Continuum cannot fully assess the finance costs, however, Continuum take issue with a number of cash flow / development period assumptions CBRE have made which would decrease the total finance cost.
Market Sale Values	CBRE to run a sensitivity analysis (as required by the RICS) reflecting place making premium	A sensitivity analysis should be undertaken on place making premium's that could be around 15% (increase in sale values when compared against standard market housing schemes). This is supported by the RICS Guidance section 4.
Affordable Sale Values	CBRE to provide a full breakdown of how they calculated the affordable values.	CBRE have not provided a detailed breakdown of all the inputs used to estimate the affordable housing values. Continuum would request this information, as without it, it is impossible to fully assess their estimation of value.
Commercial Serviced Land Values	£5.8m Value increase	Based on assessing the most optimal commercial uses and assessing the uses based on the most recent Illustrative Master Plan which outlines more commercial area than assessed by CBRE. Continuum have then undertaken their own assessment of the commercial serviced land values based on their opinion of appropriate profit margin, build costs (based on TM's FVA) and other inputs.

Market Profit Margin (incl. adjustment for commercial land profit)	£9.8m (incl. adjusting for commercial land profit) Profit saving	Based on recent appeal decisions and risk adjusted return assessment. Continuum would argue the market profit margin should be 17.5% on GDV. Continuum also agree with the inclusion of a 10.5% on GDV profit for the commercial serviced land which was not included in CBRE's November appraisal but argued by BPS and CBRE in January 2023.
BLV	Needs to reflect the substantial increase in abnormal and infrastructure costs compared to the HDH assessment.	CBRE's BLV assessment does not follow the requirements of the PPG, RICS Guidance, HDH area wide viability assessment or HGGT guidance note on viability, which states that abnormal costs and infrastructure should be reflected in the BLV. CBRE rely on HDH's BLV which is based on a site without abnormal costs. CBRE's assessment includes a substantial amount of abnormal / infrastructure costs and therefore cannot use the same BLV per acre as HDH.
Total	Total of viability savings estimated = circa. £83m + (the reduction in BLV to reflect abnormals / infrastructure and the double counting of infrastructure with external works could equate to a further saving of over £50m)	

CBRE have provided a policy compliant appraisal which based on their inputs shows a viability gap of circa. £58.5m. Continuum's assessment of the scheme as summarised by the table above, highlights that there is more than enough viability savings in order for the scheme to be able to support its full affordable housing contribution.

This report follows the mandatory requirements of the RICS Conduction and Report (2019) and this report has been produced by Murray Lloyd and Chris Gardner MRICS on the 15th September 2023.

Appendix 1: RICS Professional Statement

This report has been prepared in accordance with the RICS Professional Statement: Financial viability in planning: conduct and reporting, 1st Edition published May 2019. The aim of the RICS Professional Statement (section 1.2) is to:

- Set out mandatory requirements on conduct and reporting in relation to FVAs for planning in England;
- Recognises the importance of impartiality, objectivity and transparency when reporting on such matters;
- Support and complement the government's reforms to the planning process announced in July 2018 and subsequent updates, which include an overhaul of the NPPF and PPG on viability and related matters.

The RICS Professional Statement explains that:

> *"The primary policy and guidance on assessing viability in a planning context is provided in the NPPF 2019 and the PPG 2019. These have sought to change the emphasis on how viability should be approached in the planning system and the weight that should be given to viability assessments at the plan-making and development management stages."* (section 1.4).

This report has been set out in accordance with the government guidance on assessing viability in a planning which is provided in the NPPF (2023) and PPG (2019).

Sections 2.1 to 2.14 of the RICS Professional Statement set out the fourteen mandatory reporting and process requirements for all FVAs prepared on behalf of, or by applicants, reviewers, decisionmakers and plan-makers. Continuum confirm that this Independent Viability Assessment has been carried out in accordance with sections 2.1 to 2.14. The mandatory reporting requirements are set out under the headings below and expanded on where relevant in this Independent Viability Assessment report.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

Continuum confirm that this Independent Viability Assessment (IVA) has been carried out by a suitably qualified practitioner who has acted with:

- with objectivity;
- impartially;
- without interference and;
- with reference to all appropriate available sources of information.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Continuum have been instructed by the owner of Hunsdon House to undertake an Independent Viability Assessment (IVA) and to provide advice on the viability case put forward by Talyor Wimpey (TW / Applicant) in respect of the Land at Village 7 Gilston Garden Town (ref: 3/19/2124/OUT).

Continuum can confirm that there is an absence of conflict of interest.

Section 2.3: A No Contingent Fee Statement

Continuum can confirm that they have no performance-related or contingent fees agreed with the Client.

Section 2.4: Transparency of Information

The PPG (2019) states that

> *"Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances."* (para. 21).

Continuum can confirm that this viability assessment has been prepared on the basis that it will be made publicly available should our Client require it to be as under our terms of engagement.

Section 2.5: Confirmation Where the Practitioner is Acting on Area-Wide and Scheme-Specific FVAs

Continuum are currently working for a number of Local Planning Authorities in the North West, South East, Midlands and South West on site-specific FVAs, which Continuum do not consider is a conflict of interest.

Section 2.6: Justification of Evidence

In this IVA, Continuum have provided a detail response to the viability case set out by the Applicant and have outlined areas where the Applicant is requested to provide more detail, evidence, justification and explanation. Continuum also highlighted areas where they believed the Applicant has deviated from the government national guidance PPG on Viability (2019) as well as the RICS Guidance, Financial Viability in Planning: Conduct and Reporting (2019). Each of the queries in this IVA are clearly set out and supported by justifications as to why more detail of these inputs are needed.

Section 2.7 Benchmark Land Value

Continuum have assessed the Applicant's Benchmark Land Value in accordance with the requirements of section 2.7 of the RICS Professional Statement. The RICS Professional Statement is clear that when estimating the Benchmark Land Value, practitioners must follow the PPG on Viability (2019). The PPG defines Benchmark Land Value as:

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).* (para. 13).

And;

Benchmark land value should:

- *"be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees…*
- *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan."* (para. 14).

Where Continuum believe the Applicant has not followed the PPG (2019) and RICS Professional Statement when assessing the Benchmark Land Value, they have clearly explained and justified why.

Section 2.8: FVA Origination, Reviews and Negotiations

This document is an independent review of an FVA. It is clear from the RICS Professional Statement (2019) that negotiations occur subsequent to the production of a viability case review. If the reviewer/assessor is unable to form an opinion due to limited information being provided by the Applicant, then it is not possible to get to the negotiation phase. If the requirements of the PPG (and thus the RICS Professional Statement) have not been followed, then the viability case does not meet the required criteria.

Section 2.9: Sensitivity Analysis

As this is an IVA and initial review, Continuum have not produced their own viability appraisal for the subject scheme. Continuum have identified areas where viability can be improved which should be analysed further by the Applicant through sensitivity analysis.

Section 2.10: Engagement

Continuum can confirm that they advocated, and will advocate reasonable, transparent, and appropriate engagement between the parties at all stages of the viability process.

Section 2.11: Non-technical Summaries

The executive summary of this report has been provided as a non-technical summary, which outlines the key figures and issues that support the conclusion of the IVA.

Section 2.12: Author(s) Sign-off

This report has been produced by Murray Lloyd and Chris Gardner MRICS on the 15th September 2023.

Murray Lloyd and Chris Gardner MRICS has extensive experience undertaken Independent Viability Assessments on behalf of LPAs and currently work with 11 LPAs on their viability cases.

Section 2.13: Inputs to Reports Supplied by Other Contributors

Continuum can confirm that all contributions to this report relating to assessments of viability comply with the mandatory requirements as set out in the RICS Professional Statement.

Section 2.14: Timeframes for Carrying out Assessments

Continuum can confirm that adequate time has been allowed to produce this Independent Viability Assessment having regards to the scale and complexities of this particular project.

Appendix 2: Continuum's Abnormal / External Work Assessment of Henry Riley's Costs

Description	Costs	Abnormal	Standard Infra. / External Works	Continuum's Abnormal Notes
Site Investigation Works (Facilitating Works)	£120,000	£120,000	£0	All
Ecology Works (Facilitating Works)	£200,000	£200,000	£0	All
Archaeology Works (Facilitating Works)	£609,000	£609,000	£0	All
Earthworks incl. Retaining Walls (Facilitating Works)	£9,459,261	£9,459,261	£0	All
Temporary Haul Roads (Facilitating Works)	£1,091,250	£1,091,250	£0	All
Utilities Diversions & Disconnections (Facilitating Works)	£71,000	£71,000	£0	All
Demolition Works (Facilitating Works)	£219,900	£219,900	£0	All
Highways (Grey Infra.)	£8,814,775	£2,894,275	£5,920,500	Capping layer, resurfacing existing roads & offsite highway works
Site Access Junctions - S278 works and Traffic Management (Grey Infra.)	£2,850,000	£2,850,000	£0	All (offsite highway works)
External Services (Grey Infra.)	£6,259,493	£0	£6,259,493	Could be an argument that substation is abnormal though unclear the price per substation - has been included as standard infrastructure
Foul Drainage (Grey Infra.)	£1,908,150	£175,000	£1,733,150	Offsite FW drainage. Some may argue that the rising main and pumping station is abnormal though has been included as standard infrastructure.
Surface Drainage incl. Attenuation & SUDS (Grey Infra.)	£1,890,630	£0	£1,890,630	All
S38 Agreements (Grey Infra.)	£4,344,610	£1,183,855	£3,160,755	20% of abnormal costs in relation to grey infrastructure

Hard Landscaping (Green Infra.)	£1,447,700	£0	£1,447,700	HDH argue that open space costs are accounted for in their normal landscaping and site preparation assumptions that is included in their standard build cost
Soft Landscaping (Green Infra.)	£3,975,475	£0	£3,975,475	HDH argue that open space costs are accounted for in their normal landscaping and site preparation assumptions that is included in their standard build cost
Neighbourhood Provisions incl. Play & Street Furniture (Green Infra.)	£2,275,000	£0	£2,275,000	HDH argue that open space costs are accounted for in their normal landscaping and site preparation assumptions that is included in their standard build cost
Sub-Total	**£45,536,244**	**£18,873,541**	**£26,662,703**	
Prelims (12.5%)	£5,692,031	£2,359,193	£3,332,838	
OH&P (5%)	£2,561,414	£1,061,637	£1,499,777	
Professional Fees (9.25%)	£4,975,546	£2,062,229	£2,913,317	
Contingency (5%)	£2,938,262	£1,217,830	£1,720,432	
Total	**£61,703,496**	**£25,574,430**	**£36,129,066**	

Appendix 3: Comparables

Gilden Park

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
104	OLD OAK WAY	CM17 0GD	D	£500,000	23/12/2022	1,216	£411.07
1	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	14/03/2022	947	£430.10
2	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	24/03/2022	1,055	£386.21
3	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/01/2022	872	£458.78
4	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	24/03/2022	1,055	£386.21
5	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	25/02/2022	872	£458.78
6	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	25/03/2022	1,055	£386.21
7	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/03/2022	861	£464.51
8	HAWFINCH CRESCENT	CM17 0GP	D	£407,400	25/03/2022	1,055	£386.21
9	HAWFINCH CRESCENT	CM17 0GP	S	£400,000	31/03/2022	861	£464.51
10	HAWFINCH CRESCENT	CM17 0GP	S	£390,000	28/03/2022	753	£517.60
12	HAWFINCH CRESCENT	CM17 0GP	S	£390,000	25/03/2022	753	£517.60
13	HAWFINCH CRESCENT	CM17 0GP	S	£395,000	27/05/2022	753	£524.23
14	HAWFINCH CRESCENT	CM17 0GP	D	£485,000	30/05/2022	1,216	£398.74
15	HAWFINCH CRESCENT	CM17 0GP	S	£407,400	30/06/2022	753	£540.69
16	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	27/05/2022	980	£444.09
17	HAWFINCH CRESCENT	CM17 0GP	S	£410,000	30/06/2022	753	£544.14
19	HAWFINCH CRESCENT	CM17 0GP	S	£337,500	29/03/2022	624	£540.60
21	HAWFINCH CRESCENT	CM17 0GP	S	£337,500	29/03/2022	624	£540.60
23	HAWFINCH CRESCENT	CM17 0GP	S	£340,000	30/03/2022	624	£544.60
25	HAWFINCH CRESCENT	CM17 0GP	S	£340,000	30/03/2022	624	£544.60
27	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	31/08/2022	1,055	£412.37
29	HAWFINCH CRESCENT	CM17 0GP	D	£435,000	31/08/2022	1,055	£412.37
1	LINNET GROVE	CM17 0GW	D	£420,000	31/03/2022	947	£443.40
3	LINNET GROVE	CM17 0GW	D	£470,000	30/05/2022	1,216	£386.41
4	LINNET GROVE	CM17 0GW	D	£485,000	27/05/2022	1,216	£398.74
5	LINNET GROVE	CM17 0GW	D	£485,000	30/05/2022	1,216	£398.74
6	LINNET GROVE	CM17 0GW	S	£407,400	30/06/2022	915	£445.28
7	LINNET GROVE	CM17 0GW	S	£407,400	30/06/2022	915	£445.28

8	LINNET GROVE	CM17 0GW	S	£460,000	31/08/2022	1,141	£403.16
10	LINNET GROVE	CM17 0GW	S	£407,400	26/08/2022	915	£445.28
11	LINNET GROVE	CM17 0GW	S	£407,400	30/08/2022	915	£445.28
12	LINNET GROVE	CM17 0GW	D	£470,000	31/08/2022	1,216	£386.41
14	LINNET GROVE	CM17 0GW	S	£407,400	31/10/2022	915	£445.28
15	LINNET GROVE	CM17 0GW	S	£425,000	31/10/2022	915	£464.51
29	WAGTAIL CRESCENT	CM17 0SR	S	£460,000	25/05/2022	1,141	£403.16
3	WREN STREET	CM17 0SU	S	£470,000	29/09/2022	1,141	£411.93
31	WREN STREET	CM17 0SU	D	£485,000	28/03/2022	1,216	£398.74

Newall

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
40	NEW POND STREET	CM17 9FG	D	£443,000	27/01/2022	904	£489.95
52	NEW POND STREET	CM17 9FG	D	£520,000	19/08/2022	1,206	£431.33

Sawbridge

No.	Address	PC	Type	Unit £	Date	NSA sq ft	£/ sq ft
8	GIFFIN WAY	CM21 0DW	S	£505,000	25/02/2022	1,141	£442.60
10	GIFFIN WAY	CM21 0DW	S	£507,500	25/02/2022	1,141	£444.79
56	GIFFIN WAY	CM21 0DW	S	£515,000	25/02/2022	1,195	£431.03
58	GIFFIN WAY	CM21 0DW	S	£505,000	28/01/2022	1,141	£442.60
60	GIFFIN WAY	CM21 0DW	S	£505,000	27/01/2022	1,141	£442.60
1	ROCHESTER AVENUE	CM21 0FN	S	£440,000	10/06/2022	1,001	£439.54
2	SLATER LANE	CM21 0FP	D	£550,000	20/06/2022	1,367	£402.33
1	TRUSWELL CRESCENT	CM21 0FR	D	£600,000	13/05/2022	1,572	£381.79
2	TRUSWELL CRESCENT	CM21 0FR	D	£700,000	13/05/2022	1,841	£380.30
5	TRUSWELL CRESCENT	CM21 0FR	S	£460,000	25/05/2022	1,109	£414.90
8	GIFFIN WAY	CM21 0DW	S	£505,000	25/02/2022	1,141	£442.60

Appendix 4: Commercial Serviced Land Appraisals

Gilston Village 7
Continuum's Office Serviced Land Value
Ground Floor Office with Resi Above

Development Appraisal
Continuum
01 September 2023

APPRAISAL SUMMARY

CONTINUUM

Gilston Village 7
Continuum's Office Serviced Land Value
Ground Floor Office with Resi Above

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary				**Initial**	**Net Rent**	**Initial**	
	Units	**ft²**	**Rent Rate ft²**	**MRV/Unit**	**at Sale**	**MRV**	
Ground Floor Office	1	10,495	18.00	188,910	188,910	188,910	
Investment Valuation							
Ground Floor Office							
Market Rent	188,910	YP @	6.5000%	15.3846			
(6mths Rent Free)		PV 6mths @	6.5000%	0.9690	2,816,221		
GROSS DEVELOPMENT VALUE				**2,816,221**			
Purchaser's Costs			(191,503)				
Effective Purchaser's Costs Rate		6.80%					
				(191,503)			
NET DEVELOPMENT VALUE				**2,624,718**			
NET REALISATION				**2,624,718**			
OUTLAY							
ACQUISITION COSTS							
Residualised Price			805,046				
				805,046			
Stamp Duty			29,752				
Effective Stamp Duty Rate		3.70%					
Agent Fee		1.00%	8,050				
Legal Fee		0.50%	4,025				
				41,828			
CONSTRUCTION COSTS							
Construction	**ft²**	**Build Rate ft²**	**Cost**				
Ground Floor Office	10,495	100.00	1,049,500				
External Works		10.00%	104,950				
Contingency		3.00%	34,633				
				1,189,083			
PROFESSIONAL FEES							
Professional Fees		8.00%	83,960				
				83,960			
MARKETING & LETTING							
Letting Agent Fee		10.00%	18,891				
Letting Legal Fee		5.00%	9,446				
				28,337			
DISPOSAL FEES							
Sales Agent Fee		1.00%	26,247				
Sales Legal Fee		0.50%	13,124				
				39,371			
FINANCE							
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)							
Land			55,652				
Construction			39,087				
Total Finance Cost				94,739			
TOTAL COSTS				**2,282,364**			
PROFIT							
				342,355			
Performance Measures							
Profit on Cost%		15.00%					
Profit on GDV%		12.16%					

APPRAISAL SUMMARY CONTINUUM

Gilston Village 7
Continuum's Office Serviced Land Value
Ground Floor Office with Resi Above

Profit on NDV%	13.04%
Development Yield% (on Rent)	8.28%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR% (without Interest)	29.67%
Rent Cover	1 yr 10 mths
Profit Erosion (finance rate 7.000)	2 yrs

Gilston Village 7
Continuum's Office Serviced Land Value
Barn Conversion Office

Development Appraisal
Continuum
01 September 2023

APPRAISAL SUMMARY **CONTINUUM**

Gilston Village 7
Continuum's Office Serviced Land Value
Barn Conversion Office

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Ground Floor Office	1	2,368	18.00	42,624	42,624	42,624

Investment Valuation					
Ground Floor Office					
Market Rent	42,624	YP @	6.5000%	15.3846	
(6mths Rent Free)		PV 6mths @	6.5000%	0.9690	635,428
GROSS DEVELOPMENT VALUE				**635,428**	
Purchaser's Costs			(43,209)		
Effective Purchaser's Costs Rate		6.80%			
				(43,209)	
NET DEVELOPMENT VALUE				**592,218**	
NET REALISATION				**592,218**	

OUTLAY

ACQUISITION COSTS				
Residualised Price			129,059	
				129,059
Agent Fee		1.00%	1,291	
Legal Fee		0.50%	645	
				1,936
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Ground Floor Office	2,368	123.46	292,353	
External Works		10.00%	29,235	
Contingency		3.00%	9,648	
				331,236
PROFESSIONAL FEES				
Professional Fees		8.00%	23,388	
				23,388
MARKETING & LETTING				
Letting Agent Fee		10.00%	4,262	
Letting Legal Fee		5.00%	2,131	
				6,394
DISPOSAL FEES				
Sales Agent Fee		1.00%	5,922	
Sales Legal Fee		0.50%	2,961	
				8,883
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			6,207	
Construction			7,869	
Total Finance Cost				14,076
TOTAL COSTS				**514,973**
PROFIT				
				77,246

Performance Measures	
Profit on Cost%	15.00%
Profit on GDV%	12.16%
Profit on NDV%	13.04%
Development Yield% (on Rent)	8.28%

APPRAISAL SUMMARY — CONTINUUM

Gilston Village 7
Continuum's Office Serviced Land Value
Barn Conversion Office

Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%
IRR% (without Interest)	41.03%
Rent Cover	1 yr 10 mths
Profit Erosion (finance rate 7.000)	2 yrs

Gilston Village 7
Continuum's Retail Serviced Land Value
Ground Floor Retail with Resi Above

Development Appraisal
Continuum
01 September 2023

APPRAISAL SUMMARY — CONTINUUM

Gilston Village 7
Continuum's Retail Serviced Land Value
Ground Floor Retail with Resi Above

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Floor Retail	1	8,826	23.50	207,411	207,411	207,411

Investment Valuation

Ground Floor Retail					
Market Rent	207,411	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	3,357,590

GROSS DEVELOPMENT VALUE				**3,357,590**
Purchaser's Costs			(228,316)	
Effective Purchaser's Costs Rate		6.80%		
				(228,316)
NET DEVELOPMENT VALUE				**3,129,273**
NET REALISATION				**3,129,273**

OUTLAY

ACQUISITION COSTS				
Residualised Price			1,366,344	
				1,366,344
Stamp Duty			57,817	
Effective Stamp Duty Rate		4.23%		
Agent Fee		1.00%	13,663	
Legal Fee		0.50%	6,832	
				78,312
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Ground Floor Retail	8,826	100.00	882,600	
External Works		10.00%	88,260	
Contingency		3.00%	29,126	
				999,986
PROFESSIONAL FEES				
Professional Fees		8.00%	70,608	
				70,608
MARKETING & LETTING				
Letting Agent Fee		10.00%	20,741	
Letting Legal Fee		5.00%	10,371	
				31,112
DISPOSAL FEES				
Sales Agent Fee		1.00%	31,293	
Sales Legal Fee		0.50%	15,646	
				46,939
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			94,934	
Construction			32,871	
Total Finance Cost				127,805
TOTAL COSTS				**2,721,107**
PROFIT				
				408,167

Performance Measures

Profit on Cost%	15.00%
Profit on GDV%	12.16%

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ARGUS Developer Version: 8.20.003 - 2 - Date: 01/09/2023

APPRAISAL SUMMARY — CONTINUUM

Gilston Village 7
Continuum's Retail Serviced Land Value
Ground Floor Retail with Resi Above

Profit on NDV%	13.04%
Development Yield% (on Rent)	7.62%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR% (without Interest)	27.16%
Rent Cover	1 yr 12 mths
Profit Erosion (finance rate 7.000)	2 yrs

Gilston Village 7
Continuum's Retail Serviced Land Value
Barn Conversion Retail

Development Appraisal
Continuum
01 September 2023

APPRAISAL SUMMARY — CONTINUUM

Gilston Village 7
Continuum's Retail Serviced Land Value
Barn Conversion Retail

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Ground Floor Retail	1	1,399	23.50	32,877	32,877	32,877

Investment Valuation

Ground Floor Retail					
Market Rent	32,877	YP @	6.0000%	16.6667	
(6mths Rent Free)		PV 6mths @	6.0000%	0.9713	532,208

GROSS DEVELOPMENT VALUE				**532,208**
Purchaser's Costs			(36,190)	
Effective Purchaser's Costs Rate		6.80%		
				(36,190)
NET DEVELOPMENT VALUE				**496,018**
NET REALISATION				**496,018**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			191,811	
				191,811
Stamp Duty			836	
Effective Stamp Duty Rate		0.44%		
Agent Fee		1.00%	1,918	
Legal Fee		0.50%	959	
				3,713
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Ground Floor Retail	1,399	123.46	172,721	
External Works		10.00%	17,272	
Contingency		3.00%	5,700	
				195,692
PROFESSIONAL FEES				
Professional Fees		8.00%	13,818	
				13,818
MARKETING & LETTING				
Letting Agent Fee		10.00%	3,288	
Letting Legal Fee		5.00%	1,644	
				4,931
DISPOSAL FEES				
Sales Agent Fee		1.00%	4,960	
Sales Legal Fee		0.50%	2,480	
				7,440
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			9,265	
Construction			4,649	
Total Finance Cost				13,914
TOTAL COSTS				**431,320**
PROFIT				
				64,698
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.16%		

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APPRAISAL SUMMARY — CONTINUUM

Gilston Village 7
Continuum's Retail Serviced Land Value
Barn Conversion Retail

Profit on NDV%	13.04%
Development Yield% (on Rent)	7.62%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR% (without Interest)	36.12%
Rent Cover	1 yr 12 mths
Profit Erosion (finance rate 7.000)	2 yrs