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**Affordable Housing
Viability Study**

For

Wyre Borough Council

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APPENDICES

Appendix 1 – Cyril Sweett Report on Build Costs

Appendix 2 – Development Assumptions

1 Introduction

- 1.1 Lambert Smith Hampton has been appointed by Wyre Borough Council to produce a report which assesses the viability of affordable housing across the Borough. The report is required to form part of the evidence base for the LDF and, in particular, to inform the affordable housing policy contained within the Core Strategy Development Plan Document.
- 1.2 The report takes account of planning policy and current market conditions and advises the Council on an appropriate level of developer contribution that would allow schemes to remain viable. Details about the methodology are contained in chapter 4, and here we provide advice on how changes in the market could affect the viability and what the Council need to do to deal with market fluctuations. Despite expectations that the market is likely to stabilise and improve in the next couple of years there is no guarantee and as such the report needs to deal with further falls as well as improvements in the market.
- 1.3 The Council currently requires developers to provide 40% affordable housing on all sites across the borough (15 units or more or sites larger than 0.5ha) unless they are in the rural areas where the council require 40% of all schemes over 3 units. Between 2003 and 2010 there have been 1565 new build units constructed in Wyre, 287 of these are RSL properties. This is only 18% of all the units and seems to indicate that the policy of providing 40% affordable housing has not been as successful as it may have been.
- 1.4 There is a clear need at least 40% affordable housing given that the Fylde Coast Strategic Housing Market Assessment identified a shortfall of 1280 social rented properties per annum across the Fylde Coast area including Wyre, however planning policy needs to be realistic or no affordable housing will be delivered. Current market conditions are making life extremely difficult for residential developers and as such it is important to ensure that development continues in the Borough and is not restricted by an overly high affordable housing requirement that makes development unviable. It is impossible to predict how the market will change in the short to medium term but historically house prices have always increased in the longer term and as such any policy needs to be flexible to allow for both upward and downward trends.
- 1.5 The report will provide guidance for the whole authority and will be based on hypothetical development sites. The residential market across the Borough discussed in chapter 3.

1.6 The report will be structured in the following way:

- Planning Policy Review – This section will assess the planning policy effecting affordable housing at a national, regional and local level, paying particular attention to Wyre's existing affordable housing policy;
- Residential Market Overview – This section will review the current residential market, assessing values and playing a major role in the inputs we will use in our appraisals;
- Affordable Housing Background – This section provides an overview of the different types of affordable housing;
- Methodology – This section will provide an overview of our approach to the viability assessment, it will explain the assumptions we have made and the consultations we have undertaken to get to these assumptions;
- Development Appraisal Overview – This section will summarise the findings of the development appraisals we have undertaken to assess viability;
- Conclusion & Recommendations – This section will draw together the key conclusions of the report and will provide clear recommendations on the level of affordable housing that should be applied across the borough and in the regeneration areas.

2 Planning Policy Review

- 2.1 Within this chapter we review the relevant national, regional and local planning policy with regard to the provision of affordable housing.

National

Planning Policy Statement 3 – Housing

- 2.2 PPS3 was first published in November 2006 and then updated in 2010. It sets out national policy with regard to residential development. The policy statement was initially formulated in response to a range of research and consultation exercises and in particular seeks to set out government's commitment to improving the affordability and supply of housing. It was then republished in June 2010 when the new coalition government came in to power.

- 2.3 Within Annex B of the statement, affordable housing is defined as “social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.” Low cost market housing is specifically identified as not being affordable housing for the purposes of the PPS3 definition.

- 2.4 In order to ensure the provision of mixed housing, PPS3 states that the requirement for affordable housing should be set out at a regional level, within the relevant Regional Spatial Strategy (RSS). This requirement should then be interpreted within the Local Development Framework (LDF) by Local Planning Authorities (LPA). Using the results of a strategic/local housing market assessment, the LPA should seek to ensure that the likely future affordable housing needs of its residents are met. This should involve setting out a target for the amount of affordable housing to be set, with an assessment of the likely economic viability of land for housing within the area, particularly with regard to the level which could be viably provided through developer contributions. In particular, Para 29 of PPS3 requires the LPA to:

- Set separate targets for social-rented and intermediate affordable housing;
- Specify the size and type of affordable housing;
- Set out the range of circumstances in which affordable housing will be required; and
- Set out the approach to seeking developer contributions to facilitate the provision of affordable housing.

- 2.5 PPS3 stresses that an LPA's target for affordable housing should “reflect an assessment of the likely economic viability of land for housing within the area, taking into account the risks to

delivery and drawing on informed assessments of the likely levels of finance available for affordable housing, including public subsidy and the level of developer contribution that can be reasonably secured.”

- 2.6 Government’s position to the delivery of affordable housing, identifying the different types available, grant funding and delivery (particularly through s106 agreements and development contributions) is set out in greater detail within the “Delivering Affordable Housing” Policy statement, which was released alongside PPS3 in November 2006.
- 2.7 “Delivering Affordable Housing” requires Local Authorities to “challenge” developers to produce high quality schemes, where affordable housing can be successfully integrated with market housing in order to help support the creation of mixed communities. In order to ensure the delivery of affordable housing alongside market housing, Local Authorities are required to proscribe the amount of affordable housing through planning policy. By identifying affordable housing requirements at an early stage it is hoped that provision can be accessed within areas which were previously considered too high value to viably deliver affordable units.

Regional

- 2.8 Whilst PPS 3 still refers to Regional Spatial Strategies (RSS) setting the requirements for affordable housing, the new coalition governments revocation of the RSS in May 2010, means that it no longer has any bearing on the delivery of affordable housing. Requirements and targets are now set at a local level based on local housing market assessments and strategies. We have therefore reviewed the relevant local documents for Wyre and the Fylde Coast.

Local

Local Development Plan

- 2.9 Wyre’s Local Development Plan was adopted in July 1999 and was originally intended to run for the period 1991-2006. Since the 2004 Planning and Compulsory Purchase Act, some policies from the plan have been saved whilst the council prepares a replacement Local Development Framework.
- 2.10 The Local Development Plan only has one policy that still applies in relation to affordable housing. Policy H15 addresses affordability in rural areas by stating that small scale affordable housing developments would be appropriate in rural areas/settlements providing there is a demonstrable need for such housing.

Interim Housing Policy Hous12A

- 2.11 Wyre published a new interim housing policy in November 2006 in response to the adoption of their updated Housing Strategy 2005-2008. Policy HOUS12A seeks to increase the provision of affordable housing on residential development sites:

“The Council will expect proposals for new housing development within the regional town areas of Fleetwood and Thornton-Cleveleys and the service centres of Poulton-le-Fylde and Garstang/Catterall and which comprise 15 or more dwellings (or which are on sites of more than 0.5 hectares) to make on-site provision of affordable housing at a rate of at least 40% of the total number of dwellings.

Within the rural settlements as defined in Policy CORE5 of the Wyre Borough Local Plan 1st Deposit Draft (and Policy SP8 of the adopted Wyre Borough Local Plan) and in accordance with Policy HOUS1A vii, the Council will expect proposals for new housing development on sites which comprise 3 or more dwellings to make on site provision of affordable housing at a rate of 40% (rounded to the nearest whole number) of the total number of dwellings.”

- 2.12 The justification for the policy does allow for the reduction of a 40% target, if there are significant abnormal costs such as remediation, and lack of viability can be demonstrated via robust financial evidence.

Fylde Coast Strategic Housing Market Assessment

- 2.13 The Fylde Coast Strategic Housing Market Assessment was produced in April 2008 by DTZ. It was prepared jointly by Fylde, Blackpool and Wyre Borough Councils and provided an evidence base for each of the authorities to use in the preparation of planning policies. The key findings of the report that have relevance to this study are:

- Wyre saw a continual increase in population between 1981 and 2006 resulting in a 10% population increase, with a 40% increase in people 75 and older highlighting the areas appeal to the retirement community;
- Wyre has a higher than average percentage of detached properties and a large percentage of semi detached properties with flats representing only a small percentage.
- Between 2001 and 2007 there were 2,031 housing completions in Wyre, the highest across the Fylde Coast resulting in an average of 339 per annum.
- There is a need for 1280 additional social rented properties per annum across the Fylde Coast with the highest shortfalls in Fylde and Wyre. The main requirement is for 1bed properties with future demand likely to be for 2 to 3 bed properties.

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- Fleetwood is one of the most affordable parts of the Fylde Coast and Poulton being one of the least affordable areas;
 - Garstang is not considered to have strong relationships with the Fylde Coast market area and is more closely linked to the Preston market area;

2.14 The report makes a series of recommendations about the future of housing across the Fylde Coast area. Whilst these were made in different market conditions to those which are prevalent now, many are still relevant. The key ones include;

- Continuing to monitor and manage the housing market and improve the monitoring system
- Determine a complementary approach to affordable housing across the Fylde Coast
- Determine an approach to policy in the rural areas of Wyre and Fylde

2.15 Many of these recommendations have been taken on board, however this report does not look at affordability outside the Wyre area, but simply provides a review of viability in Wyre Borough.

Fylde Coast Housing Strategy 2009

2.16 The document has been produced to provide a common understanding, vision and set of priorities for housing across the Fylde market area which includes Wyre. The strategy highlights three key objectives that the authorities are aiming to achieve, these include;

- Providing an appropriate number and right kinds of high quality homes
- Raising the quality of the overall housing offer to support growth in the Fylde Coast Economy
- Helping people to access the accommodation and support that they need to lead stable and prosperous lives

2.17 In relation to Wyre it states the following;

- There is a need to lift and diversify the quality of housing in Fleetwood;
- In Poulton and Thornton Cleveleys the emphasis should be on family housing to help sustain local centres and there should be an emphasis on the social rented housing;
- In the rural areas of Wyre the emphasis should be on affordable housing to meet local needs.

Rural Housing Needs Assessment

- 2.18 This report was produced by arc4 in July 2010 to provide an evidence base to support policy formulation and identify housing need in the rural areas. One of the key reasons that the report was required was the Fylde Coast SHMA summarised above which identified an annual shortfall of 570 affordable dwellings across Wyre Borough.
- 2.19 The study included a household survey and a community and parish consultation. The study came to the following conclusions;
- There is a considerable need for affordable housing across the rural parishes of Wyre Borough, it has been calculated at an annual net shortfall of 170 dwellings;
 - The need equates to a circa 60/40 split between social rented and intermediate properties;
 - There is a need to review the affordable housing thresholds to help deliver affordable housing in the rural area.

3 Residential Market Overview

3.1 There are a number of respected organisations that provide monthly and quarterly reports on the housing market in the UK based on their own experiences of the market. The organisations used within this report are:

- Land Registry – Based on all residential transactions in England and Wales
- Halifax – Based on the mortgage lending of HBOS
- Nationwide – Based on the mortgage lending of Nationwide
- Rightmove – Based on the selling prices of property in the UK

National Overview

3.2 The most recent house price report from the Nationwide, for August 2010 shows that house prices fell 0.9% during the month. This brought the average house price to £166,507 representing a rise of 3.9% over the previous 12 months. The three month on 3 month percentage change in prices, a more stable price indicator was 0%, which points to a 'stagnation'.

3.3 The Halifax house price index stated that the average house price in the UK for the second quarter of 2010 was £167,786, a fall of 0.1% on the previous quarter and an increase of 6.3% on the previous 12 months. According to the statement, this rise puts the average house price 3% higher than it was in the second quarter of 2005 and prices in all regions of the British Mainland are higher than a year ago.

3.4 The most recent monthly house price index from the Halifax, for August 2010, claims that the average house price rose by 0.2% on the previous month to £167,953, representing a price rise for the second consecutive month and estimates that house prices are approximately 4.6% higher than they were 12 months ago. The average house price is still 16% lower than at the height of the market in the August 2007 peak.

3.5 Both the Halifax and the Nationwide are cautious in how their figures relate to the residential property market. In general the analysts from both lenders have stated that there has been a significant increase in the number of properties on the market since HIPS were abolished by the coalition government. Demand from purchasers, however, has remained relatively static, which goes some way to explain the small dip in the market. This element of oversupply has coincided with the annual lull in market activity during the summer period which has compounded struggling house prices.

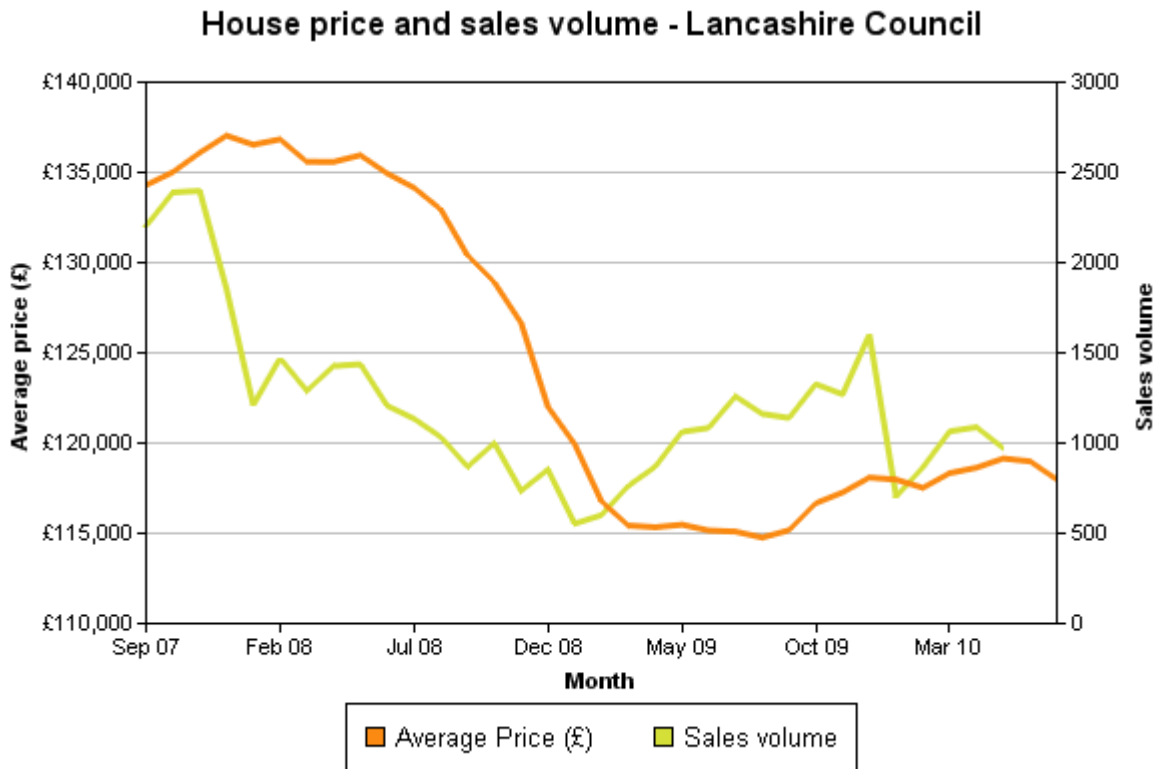
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- 3.6 Both the Halifax and the Nationwide predicted that 2010 house price growth would be relatively flat. Whilst both indicators feel that low interest rates and a strengthening labour market are all generators of demand for housing, the general uncertainty over market conditions and strict public sector funding cuts is considered to balance this out.
- 3.7 The Land Registry's most recent house price index report, for July 2010, shows that the average house price was £166,798 a monthly increase of 0.4% and an annual increase of 6.7%. Transaction information from the Land Registry suggests that the number of houses being sold is gradually increasing. However, from a peak towards the end of Q1/beginning of Q2 in 2010, transactions have again begun to fall.
- 3.8 The August 2010 Rightmove House Price Index, which surveys the asking price of 90% of all marketed residential properties in England, states that asking prices have dropped by 1.7% over the month, with a 4.3% increase over the year, putting the average asking price for property in the UK at £232,241. This is a second consecutive monthly fall in asking prices. The reasons behind this are attributed to the increasing amount of stock that estate agents currently have, with reports of stock estimated at approximately 40% higher than 12 months ago.
- 3.9 The RICS most recent UK Economy and Property Market Chart Book states that housing supply is increasing, whilst demand is falling. Anecdotally, this is believed to be down to house owners testing the market after the abolition of HIPS by the coalition government in May. The "oversupply" within the market has had the effect of reducing house prices; however, surveyors are generally optimistic in terms of sales although they believe that prices are unlikely to move significantly over the short term.

Regional Overview

- 3.10 The Nationwide showed that the average house price in the North West for the second quarter of 2010 was £141,716, representing a quarterly rise of 2.6%. This still reflected a growth of 7.6% over Q2 2009. The level of growth in the North West was one of the highest in the UK with only the South West posting higher growth at 3%.
- 3.11 The Halifax house price index estimated that the average house price in the North West was £123,780 in the second quarter of 2010. This represents a fall of 1.9% on the previous quarter and an annual increase of just 1.8%. Greater London and East Anglia saw the highest price rises over the last 12 months with average growth of over 10%.

3.12 According to the Land Registry, the North West experienced a fall in house prices during Q2 2010 of 0.7% and growth over 12 months at just 0.3% putting the average house price at £118,360. This is the lowest annual growth of any of the 9 regions in England and Wales and the second lowest average house price of any of the regions.

3.13 The Land Registry also produces figures showing how the market is performing in Lancashire (excluding the unitary authorities of Blackburn with Darwen and Blackpool). The graph below shows how prices have fallen from a height in early 2008 to a low in Q2 2009. Through 2009 and 2010, prices have recovered slightly with a peak of house sales in Q4 2009.



Source: Land Registry

3.14 In Lancashire the average house price peaked in February 2008 at £136,833. The current average house price of £117,980 represents a 14% drop in the average house price from this peak.

Local Residential Market

3.15 The residential market in Wyre has a number of smaller sub-markets based around the largest townships. Fleetwood is the area of the lowest value housing and is characterised by back to back terraced housing and higher value large sea front detached properties.

Thornton/Cleveleys is characterised by family housing and is a more desirable location than Fleetwood with higher values. Poulton-le-Fylde is the areas premier location with a mix of unit types ranging from large detached properties to smaller terraces towards the town centre. Garstang and Catterall provide a further sub market and the remainder of the area could be classed as rural but includes Knott End.

- 3.16 In general, house prices are highest in the rural areas with good access to the M6, in particular Catterall and Garstang. There are pockets of higher value properties in the urban areas, particularly around Poulton-le-Fylde and Thornton, with Fleetwood having some of the lowest average value properties.

Fleetwood

- 3.17 Fleetwood is a typical coastal town that has historically relied on tourism and fisheries as the main industries. The area is characterised in the main by terraced housing with over half the stock in Fleetwood being this house type. On the edge of the town there are a number of semi-detached properties with some large detached properties along the coastal road.
- 3.18 Fleetwood is densely developed and there are few opportunities within the town centre and the peripheries for anything other than infill development. The only site with any significance is the port site being promoted by Redrow and ABP. This site had stalled in recent years with development only recently recommencing on site. This was down to the fact that Redrow have applied and successfully received Kick Start funding from the HCA to get this development started. The success of this application meant that Redrow recommenced development on this site and also sold part of the site to Persimmon Homes)
- 3.19 Within Fleetwood 68% of the housing stock is owner occupied. This in essence shows an over reliance on the rental market, be that social or private rented in Fleetwood. House prices in the area are currently between 10 and 30% lower than the average on the wider Fylde Peninsula (FY postcodes). The table below shows the average house price in Fleetwood for different sized properties compared to the average price on the Fylde peninsula and nationally.

Table 1: Average House Prices in Fleetwood

	Fleetwood	Fylde Peninsula	National
1 Bedroom properties	£78,100	£89,300	£142,000
2 Bedroom properties	£96,700	£120,100	£155,600
3 Bedroom properties	£112,500	£130,600	£178,400
4 Bedroom properties	£172,700	£206,300	£298,000
5+ Bedroom properties	£181,000	£259,400	£491,700

Poulton

- 3.20 Poulton-le-Fylde is, along with Garstang, the most desirable location within Wyre Borough. Nearly 80% of the housing stock here is semi-detached or detached housing highlighting the area's attractiveness and appeal. 85% of the housing is owner occupied which potentially highlights a shortage in rented accommodation and low cost housing within the area.
- 3.21 There has been some limited development in recent years, with schemes in the town centre and on the southern side of the town. New development however has on the whole been constrained by a lack of readily available and suitable sites in Poulton. Although there are some available sites in the area they have not attracted much interest to date which is likely to do with the potential infrastructure costs.
- 3.22 House prices in Poulton are on average between 5 and 25% higher than the Fylde Peninsula average. This is highlighted by the table below.

Table 2: Average House Prices in Poulton-le-Fylde

	Poulton-le-Fylde	Fylde Peninsula	National
1 Bedroom properties	£96,400	£89,300	£142,000
2 Bedroom properties	£146,300	£120,100	£155,600
3 Bedroom properties	£169,000	£130,600	£178,400
4 Bedroom properties	£249,200	£206,300	£298,000
5+ Bedroom properties	£347,800	£259,400	£491,700

Thornton & Cleveleys

- 3.23 Thornton and Cleveleys is a typical commuter location. Over half the housing stock is semi-detached housing. The area has proved popular with developers and has seen more development than anywhere else in Wyre over the last 10 years. This has mainly been more family housing with semi-detached and detached properties. 84% of the housing stock in Thornton and Cleveleys is owner occupied highlighting in a similar way to Poulton the potential shortage of rented accommodation.
- 3.24 Unlike Poulton and Fleetwood the area does have a number of sites that are suitable for new residential development. NPL's plans in the area should see significant new development in the short term and highlight the areas popularity with developers. This is also supported by allocations in the Fleetwood and Thornton Area Action Plan.

- 3.25 House prices in Thornton and Cleveleys are in general on a par with the average for the Fylde coastal area. The table below shows this.

Table 3: Average House Prices in Thornton & Cleveleys

	Thornton - Cleveleys	Fylde Peninsula	National
1 Bedroom properties	£87,100	£89,300	£142,000
2 Bedroom properties	£128,700	£120,100	£155,600
3 Bedroom properties	£139,700	£130,600	£178,400
4 Bedroom properties	£206,300	£206,300	£298,000
5+ Bedroom properties	£254,000	£259,400	£491,700

Garstang & Catterall

- 3.26 Garstang and Catterall sit in a different market area to the Fylde coast area and it is more comparable with the North Preston suburbs. The area is, with Poulton, the most desirable location within Wyre Borough, particularly with the retirement community. There is a relatively even distribution of house types within the area although there are more detached properties than any other house types which is a sign of the areas appeal to the higher end market.
- 3.27 The area has been attractive to the development market in recent years with The Elements scheme by Briery Homes and Summerdowns by Taylor Wimpey; both these schemes are still currently on site. There is a good supply of further development sites within both Catterall and Garstang, which suggests, when the market does pick up again, there is likely to be significant demand for further new developments in these areas.
- 3.28 Values in Garstang and Catterall are 25 – 30% higher than the Fylde Peninsula although in reality it falls within the Preston market. The table below compares the market with the Fylde Peninsula and the national market.

Table 4: Average House Prices in Garstang

	Garstang	Fylde Peninsula	National
1 Bedroom properties	£133,300	£89,300	£142,000
2 Bedroom properties	£158,300	£120,100	£155,600
3 Bedroom properties	£181,300	£130,600	£178,400
4 Bedroom properties	£279,600	£206,300	£298,000
5+ Bedroom properties	£354,300	£259,400	£491,700

Rural Area

- 3.29 The final market area is much more difficult to define and takes in the majority of the area to the east of the River Wyre, Garstang and the area to the east of Garstang. It includes areas such as Knott End and Preesall, Hambleton, Pilling, Calderdale, Bleasdale, Stalmine and Scorton. There is limited information available about actual sales in these areas.
- 3.30 In the main values are higher in these locations than the Fylde coast average. Whilst there are some exceptions, values are more comparable with Garstang and Catterall and in some areas such as Scorton and Bleasdale even higher. The rural nature of these areas means that there are very few development opportunities although new developments have been undertaken in Pilling and Hambleton.

Comparable New Build Developments

- 3.31 Whilst development activity has been limited in the last 12 months due to market conditions we are currently aware of the following developments within the Wyre Borough Area. They are as follows:
- **Harbour Village** – This development by Redrow Homes is located in Fleetwood, The overall development consists a mix of twenty-one, 1 and 2 bed apartments and one hundred and sixty, 2, 3, and 4 bed houses. The scheme had stalled but the first phase of development received Kick Start Funding and development recently recommenced. (more information on Kick Start funding is available in the next chapter). This first phase included 58 dwellings comprising 15 open market houses, 7 social rented and 36 home buy direct (Intermediate Housing). The scheme has now been released to the market with the open market properties starting at £147,995 for a 3 Bed Property to £253,995 for a 5 Bed property.
 - **The Paddock** – This development by Newfield Jones Homes is located in Thornton-Cleveleys. We understand that the development consists of a mix of 3 and 4 bed semi and detached homes with one 3 bedroom bungalow. Only three properties are still available, a 3 bed detached bungalow at £285,000 (recently reduced by approximately 8%), a 3 bed detached house at £203,500 and a 4 bed detached house at £333,450.

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- **Summerdowns** – A recent development by Taylor Wimpey and located in Catterall. The development consists of 78 apartments alongside traditional family housing, with 20 affordable units. There are 6 two bed apartments, 31 three bed houses, 24 four bed houses and 17 five bed houses within the development. Prices for apartments range from £120,000-140,000. Prices for the houses range from £160,000-220,000 for the 3 bed houses, £190,000 – 260,000 for four bed properties and in excess of £300,000 for the five bed properties. Currently only one 3 bed property and one 4 bed property is being marketed, with a large number of properties already sold.
 - **Elements development**- This development is by Briery Homes and is located in Catterall. The development consists of 3 and 4 bedroom detached and town houses and 3 apartment blocks. There are 47 two bed apartments, 7 four bed houses and 7 three bed houses within the development. Prices for apartments range from £114,950- 159,950. Prices for houses range from £229,950- 249,950 for 3 bed houses, £324,950- 349,950 for four bed properties. A large number of properties are remaining to be sold.
 - **The Moorings** - This development by Beck Homes is located on Church Lane in Garstang. The development consists of a mix of 2 bed apartments ranging from £125,000 – 160,000 and 3 bed townhouses ranging in price from £190,000 to £250,000. The majority of the development has now sold with only a few remaining plots available.

Residential Conclusions

- 3.32 Based on the research we have undertaken above, we have drawn a number of conclusions with regards to development density, unit end sales values and gross land values. These assumptions will be used to inform the development appraisals which will test the viability of affordable housing provision on sites. The table below summarises our assumptions on value.

Table 5: LSH Value Assumptions

Location	Unit Values	Gross Land Value per ha (per acre)
Fleetwood	2 Bed - £120,000 3 Bed - £140,000-150,000 4 Bed - £165,000-175,000	£741,300 - £988,400 (£300,000 - £400,000)
Poulton	2 Bed - £160,000 3 Bed - £200,000-220,000 4 Bed - £240,000-260,000 5 Bed - £300,000-350,000	£1,482,600 - £1,729,700 (£600,000 - £700,000)
Thornton & Cleveleys	2 Bed - £140,000-150,000 3 Bed - £180,000-200,000 4 Bed - £220,000-240,000	£1,235,500 - £1,482,600 (£500,000 - £600,000)
Garstang and Catterall	2 Bed - £160,000-180,000 3 Bed - £220,000-250,000 4 Bed - £300,000-350,000 5 Bed - £400,000-500,000	£1,729,700 - £1,976,800 (£700,000 - £800,000)
Rural	2 Bed - £170,000-190,000 3 Bed - £240,000-280,000 4 Bed - £350,000-450,000 5 Bed - £500,000 +	£1,967,800 - £2,471,000 (£800,000 - £1million)

3.33 In terms of development density, we have drawn the following conclusions:

Table 6: LSH Development Density Assumptions

Scheme Type	Density	Unit Breakdown
Low Density Rural/Detached scheme	20-25dph	4 Bed – 50% 5 Bed – 50%
Medium Density Family Housing	30-35dph	2 Bed – 15% 3 Bed – 60% 4 Bed – 25%
High Density Housing	40-45dph	2 Bed – 30% 3 Bed – 50% 4 Bed – 20%

4 Affordable Housing Background

Affordable Housing Background

4.1 There are two main types of affordable housing:

- Social Rented - housing that is available to rent and is owned and managed by local authorities and Housing Associations. Rents are currently determined by the Tenant Services Authority (TSA) although as part of the government shake up of Government Quango's the Homes and Communities Agency are likely to retake control of this. The rents are based on local property values, local earnings and bed spaces; this is then capped to an annual percentage increase above the Retail Price Index (RPI).
- Intermediate Affordable Housing – This is housing that is available to rent or buy at rates lower than the market values, but higher than social rented. Intermediate housing includes Shared ownership (where you can purchase a percentage of the property and pay rent on the remainder), Shared Equity (where you purchase a percentage of the property and a percentage is owned by the RSL – rent is not payable on the share owned by the RSL), discounted market housing (where there is a discount on the open market value of the dwelling) and intermediate rent (where the rent is lower than market rents but higher than social rents).

4.2 Housing Associations develop their own schemes of 100% affordable housing but this report is not reviewing this, it is aimed at the units they purchase from developers who are required by the Council to provide affordable housing through s.106 agreements. The key therefore to viability is to understand what housing associations can afford to pay for the affordable units.

4.3 Our experience of working with Housing Associations revealed that they rarely receive any funding for housing secured through s.106 agreements. They informed us that they are not for profit organisations and calculate what they can pay developers for properties based on the level of rent and mortgage that could be secured against the property. The key values that need to be taken into account are that for social rented properties values can be no more than 40% of open market value and for intermediate housing no more than 70% of open market value.

4.4 Whilst this assumption has been adopted for the purposes of the appraisal as it is true that in the past funding has not been available and in the future this is likely to remain the case. However some recent developments have benefitted from Kick Start funding. We are not

proposing to make any allowance for this type of funding as it only applies to stalled residential proposals. Its aim is to support the construction of high quality mixed tenure housing that for financial reasons have stalled. The funding comes in the form of a loan, equity in the scheme or gap funding and will not exceed 30% of the total scheme costs.

5 Methodology

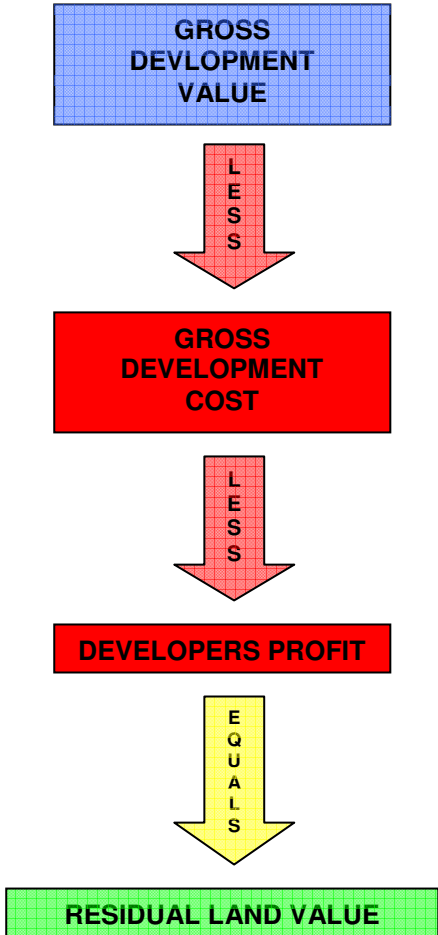
5.1 This section of the report assesses the methodology we have used to assess the viability of providing affordable housing in the Borough.

Residual Development Appraisal

5.2 The aim of the study is to identify the level and type of affordable housing that Wyre Borough Council can achieve from developers promoting residential development in the Borough. To do this we have undertaken a series of residual development appraisals to establish when a scheme could be classed as viable.

5.3 The residual development appraisal is used to establish land value. LSH have used Argus Developer, recognised industry standard development appraisal software to establish the viability of the different schemes. A simple diagram showing the key inputs and outputs is shown below.

Figure 1 – Residual Appraisal Overview



- 5.4 The value inputs in the appraisal have been taken from our market assessment. In relation to the affordable elements of the appraisal we have undertaken consultation with Housing Associations to establish what assumptions we should make, this has shown that 40% of market value is a reasonable assumption for social rented properties and 70% of market value was a reasonable assumption for intermediate housing. We have adopted a 50/50 split between social rented and intermediate housing as whilst there is an identified need for more social rented properties in the rural area there are other areas such as Fleetwood where affordability is not such a significant issue. By adopting the 50/50 split it was felt that we were providing a realistic assumption that reflects the true demand picture across the whole borough.

Site Selection

- 5.5 To assess viability it is important to assess a range of sites throughout the Borough. Rather than select specific sites in particular areas we have taken a hypothetical approach to site selection. This has been done as no two sites are the same and as such it was felt that making an assumption based on the market area and the types of development that are most likely would allow us to better understand how variances in unit numbers would affect viability. We have therefore made a number of base assumptions about a range of hypothetical developments which has then been assessed for the different market areas in Wyre.
- 5.6 The table below sets out the different assumptions we are going to adopt in the study

Table 7: LSH Development Assumptions

Location	Scheme	Type of Development
Fleetwood	20 Units	Medium Density Family Housing
	50 units	High Density Town Centre Scheme
Poulton	20 Units	Low Density Detached Housing
	50 units	High Density Town Centre Scheme
Thornton & Cleveleys	50 Units	Medium Density Family Housing
	20 units	High Density Scheme
Garstang & Catterall	20 Units	Low Density Detached Housing
	50 units	Medium Density Family Housing
Rural	15 Units	Medium Density Family Housing
	10 Unit	High Density Housing
	10 units	Medium Density Family Housing
	5 Units	High Density Housing
	5 units	Low Density Detached Housing

- 5.7 We have then applied a number of assumptions to the two scenarios based on our own experiences on other sites and appraisal rules of thumb.

Table 8: Development Appraisal Assumptions

Input	Cost	Commentary
Planning Fees	Fees + £3,000 to £5,000	This is based on £335 per unit and an allowance of between £3,000 and £5,000 depending on the number of units
Survey	£Varies	Between £3,000 and £10,000 depending on the size of the site.
Acquisition / Agent Fees	1.5% of residual value	This is an industry standard charge with 1% going to the agent and 0.5% to the lawyer
Professional Fees	8% of build costs	The industry standard for professional fees is between 8% and 12%, we have adopted the lower end of this range because it is assumed that on a site of this size where the lower figure is more appropriate
Contingency	5%	This can range from 2.5% to 10% depending on the complexity of a scheme, i.e. a conversion project would have a higher contingency than a cleared site.
Marketing	Varies	Based on circa £500 per unit plus £5,000.
Profit	15% of GDV	This is based on 15% of the gross development value and is the lowest return that would be acceptable to a developer in the current market, usually the higher the risk associated with a project the higher the profit would need to be.
Finance	7%	This is based on our experiences of current lending rates to the development industry

- 5.8 The value assumptions are covered in the market assessment and vary across the three locations, a detailed breakdown of the values and our justification for these is found in the previous chapter.

Build Costs

- 5.9 A break down of the assumptions we have adopted for build costs can be found in Appendix 1, the construction cost review undertaken by Cyril Sweett. This provides details of the build costs we have adopted in the appraisals. We have varied the costs depending on the market area and as such we have adopted higher build costs in Poulton, Garstang and the rural areas to reflect the higher values and therefore higher quality product. The table below provides a summary of the costs provided by Cyril Sweett which are all assuming current building regulations and reflect Code for Sustainable Homes Level 3.

Table 9: Cyril Sweet Build Cost Assumptions

Type	Lower (£/m²)	Upper (£/m²)
1 Bed Apartment	1250	1628
2 Bed Apartment	1140	1510
2 Bed House	1012	1279
3 Bed House	1029	1275
4 Bed House	929	1224
5 Bed House	900	1150

- 5.10 The build costs include allowances for infrastructure, external works and main contractor preliminaries, overheads and profit. We have not made any allowance over and above this for on site abnormal costs as every site is different. We have assessed viability against gross land values which do not take account of deductions for site specific abnormal costs.
- 5.11 By adopting these assumptions we are able to undertake appraisals with a consistent approach. The next chapter reviews the findings of these appraisals.

6 Development Appraisal Overview

6.1 LSH have undertaken a number of appraisals to assess the viability of affordable housing in the different market areas, the table in Appendix 2 summarises the different schemes appraised and an overview can be found in the previous chapter:

Residual Land Value

6.2 The aim of the appraisals was to assess how the different percentages of affordable housing provision impacted on the viability of development. The output on all the appraisals is land value. It is therefore important to understand what level of land value is appropriate for sites in the Borough. This is the most difficult aspect of understanding the viability of schemes as clearly a landowner is entitled to a land value; however there are a number of issues that affect what level this should be.

6.3 Clearly land values vary from one site to another depending on a number of factors, not least location and use. When assessing the viability of affordable housing we would need to assume that the sites are suitable for residential development and as such residential land values would apply. It is therefore imperative that there is an understanding of current residential land values.

6.4 Given the current economic climate there is little if any comparable information on residential land sales. In the past 2 years land values have fallen significantly as the impact of the economic crash has impacted the residential market. Table 9 provides the range of values that we will adopt to assess viability, these are based on our own understanding of the market today:

Table 10: Minimum and Maximum Gross Land Value

Area	Minimum Land Value per hectare (per acre)	Maximum Land Value per hectare (per acre)
Fleetwood	£741,300 (£300,000)	£988,400 (£400,000)
Thornton & Cleveleys	£1,235,500 (£600,000)	£1,482,600 (£700,000)
Poulton	£1,482,600 (£500,000)	£1,729,700 (£600,000)
Garstang & Catterall	£1,729,700 (£700,000)	£1,976,800 (£800,000)
Rural	£1,967,800 (£800,000)	£2,471,000 (£1,000,000)

Source: LSH

- 6.5 There will always be circumstances where more or less than these values will have been paid for sites. However we consider it to be a reasonable assumption that the current residential land value is the best starting point for assessing viability. We have therefore adopted these land values to assess the viability of providing affordable housing in the three different areas.
- 6.6 The tables below show the outputs/land values that the appraisals we have undertaken have produced. A site would only be viable if the land value shown in the tables below was equal or higher than the minimum land value shown in relevant row of table 10 above. The Viable land values have been shaded in blue so that they are easily identified.

Fleetwood

- 6.7 In Fleetwood we have appraised two scenarios that reflect the characteristics of the area, a medium density family housing scheme and a high density town centre scheme:

Table 11: Fleetwood Viability Appraisal Results

Affordable Housing Percentage	Residual Land Value (per hectare)	
	Medium Density	High Density
0%	£780,000	£920,000
10%	£630,000	£740,000
20%	£475,000	£585,000
30%	£335,000	£380,000
40%	£115,000	£155,000
50%	Negative Land Value	Negative Land Value

- 6.9 Table 11 shows that in Fleetwood, the medium density scenario is only viable with no affordable housing and the high density scenario produces a viable land value with 10% affordable housing, providing more than 10% proves to be unviable.

Poulton

- 6.10 In Poulton we have appraised two scenarios that reflect the market characteristics of the area; a low density detached housing scheme and a high density town centre scheme.

Table 12: Poulton Viability Appraisal Results

Affordable Housing Percentage	Residual Land Value (per hectare)	
	Low Density	High Density
0%	£2,490,000	£2,145,000
10%	£2,200,000	£2,060,000
20%	£1,910,000	£1,850,000
30%	£1,620,000	£1,625,000
40%	£1,340,000	£1,370,000
50%	£1,040,000	£1,050,000

- 6.12 The table shows that based on current land values in Poulton it is only possible to provide 30% affordable housing with anything over this proving to be unviable.

Thornton and Cleveleys

- 6.13 In Thornton and Cleveleys we have appraised two scenarios that reflect the market characteristics of the area, a medium density family housing scheme and a high density scheme.

Table 13: Thornton and Cleveleys Viability Appraisal Results

Affordable Housing Percentage	Residual Land Value (per hectare)	
	Medium Density	High Density
0%	£1,610,000	£1,750,000
10%	£1,400,000	£1,580,000
20%	£1,250,000	£1,385,000
30%	£1,080,000	£1,180,000
40%	£910,000	£960,000
50%	£650,000	£740,000

- 6.15 The table shows that based on current land values in Thornton and Cleveleys it is only possible to provide 20% affordable housing with anything over this proving to be unviable.

Garstang and Catterall

- 6.16 In Garstang and Catterall we have appraised two scenarios that reflect the market characteristics of the area; a low density detached housing scheme and a medium density family housing scheme.

Table 14: Garstang and Catterall Viability Appraisal Results

	Residual Land Value (per hectare)	
	Low Density	Medium Density
0%	£2,790,000	£2,430,000
10%	£2,450,000	£2,350,000
20%	£2,125,000	£2,115,000
30%	£1,790,000	£1,810,000
40%	£1,460,000	£1,680,000
50%	£1,125,000	£1,560,000

- 6.18 The table shows that based on current land values in Garstang and Catterall it is possible to provide 30% affordable housing with anything over this proving to be unviable.

Rural

- 6.19 The rural area is varied but in the main is a high value part of the borough. In the rural area we have therefore appraised five scenarios that reflect the market characteristics of the area, a medium density family housing scheme of 15 and 10 units, a low density housing scheme of 5 units and high density schemes of 5 and 10 units.

Table 15: Wyre Rural Areas Viability Appraisal Results

Affordable Housing Percentage	Residual Land Value (per hectare)				
	Low Density (5 Units)	High Density (5 Units)	Medium Density (10 Units)	High Density (10 Units)	Medium Density (15 Units)
0%	£2,120,000	£2,165,000	£2,550,000	£2,575,000	£2,620,000
10%	£2,120,000	£2,165,000	£2,260,000	£2,250,000	£2,350,000
20%	£1,650,000	£1,525,000	£2,170,000	£2,090,000	£1,960,000
30%	£1,650,000	£1,525,000	£1,700,000	£1,770,000	£1,710,000
40%	£1,100,000	£1,200,000	£1,490,000	£1,610,000	£1,185,000
50%	£1,100,000	£1,200,000	£1,110,000	£1,285,000	£790,000

6.20 The table shows that even with the two small 5 unit schemes, in the rural areas, 10% affordable housing would be achievable. With the different density schemes of 10 and 15 units 20% affordable would be viable.

Summary

6.21 The appraisals show varying degrees of viability across the borough and small changes in both the costs and values could have an impact on the viability of providing affordable housing. The appraisals have been based on today's values and costs, as the market improves so will the ability of developers to provide affordable housing. At the present time the maximum amount of affordable housing that can viably be provided is 30%.

7 Conclusions & Recommendations

7.1 This report has been produced to support Wyre Borough Council in their preparation of affordable housing policy within their LDF. The report will provide the evidence base to show that Wyre's policy on affordable housing is sound and can be delivered. The Council's current policy requires developers to provide 40% affordable housing on sites over 15 units or 0.5ha, this report tests the viability across the borough to establish whether this level of affordable housing is achievable and if not what level of affordable housing should be sought.

Conclusions

7.2 The key conclusions on the market and values in Wyre that have come out of this report are:

- Property prices in the UK have risen slightly in the last 12 months, Halifax and Nationwide have published figures showing a rise in prices of between 3.4% and 4.3%
- In the North West prices have been relatively stable over the last 12 months with the Halifax and Land Registry reporting small rises of 1.8% and 0.3% respectively.
- There is little in the way of new residential development in Wyre with only a small number of new schemes currently on the market
- The table below shows our opinions on property values in Wyre based on the research we have undertaken:

Table 16: LSH Value Assumptions

Location	Unit Values	Gross Land Value per ha (per acre)
Fleetwood	2 Bed - £120,000 3 Bed - £140,000-150,000 4 Bed - £165,000-175,000	£741,300 - £988,400 (£300,000 - £400,000)
Poulton	2 Bed - £160,000 3 Bed - £200,000-220,000 4 Bed - £240,000-260,000 5 Bed - £300,000-350,000	£1,482,600 - £1,729,700 (£600,000 - £700,000)
Thornton & Cleveleys	2 Bed - £140,000-150,000 3 Bed - £180,000-200,000 4 Bed - £220,000-240,000	£1,235,500 - £1,482,600 (£500,000 - £600,000)

Location	Unit Values	Gross Land Value per ha (per acre)
Garstang and Catterall	2 Bed - £160,000-180,000 3 Bed - £220,000-250,000 4 Bed - £300,000-350,000 5 Bed - £400,000-500,000	£1,729,700 - £1,976,800 (£700,000 - £800,000)
Rural	2 Bed - £170,000-190,000 3 Bed - £240,000-280,000 4 Bed - £350,000-450,000 5 Bed - £500,000 +	£1,967,800 - £2,471,000 (£800,000 - £1million)

7.3 Our experience of working with Housing Associations revealed that they rarely receive any funding for housing secured through s.106 agreements. They informed us that they are not for profit organisations and calculate what they can pay developers for properties based on the level of rent and mortgage that could be secured against the property. The key values that need to be taken into account are that for social rented properties values can be no more than 40% of open market value and for intermediate housing no more than 70% of open market value.

7.4 This research on the market and the housing associations then fed into development appraisals we undertook to establish viability. The key findings of these appraisals were:

- Fleetwood – 10% Affordable Housing is currently achievable
- Poulton – 30% Affordable Housing is currently achievable
- Thornton and Cleveleys – 20% Affordable Housing is currently achievable
- Garstang and Catterall – 30% Affordable Housing is currently achievable.

7.5 As a significant part of the borough is rural and the majority of schemes in these areas would be of a small scale we appraised 5 different density schemes of 5, 10 and 15 units. As these schemes were smaller despite the higher values that can be achieved in the rural areas it was still a challenge to achieve a high percentage of affordable housing. 20% affordable housing was achievable on the 10 and 15 unit schemes. Based on this we would suggest that the Council set a threshold of 10 units as outside the rural areas viability on these smaller sites will be more difficult.

Recommendations

- 7.6 The Council need to ensure that any policy they produce is flexible. Whilst this report highlights what is viable in the current market, no two sites are the same so it will always be imperative that viability evidence is sought from developers to prove why they are not able to provide the full level of affordable housing.
- 7.7 The assumptions in chapter 5 and the tables in chapter 6 can be used to assess applications and decide whether developer's assertions are within an acceptable range.
- 7.8 The appraisals show that it is not viable to set an affordable housing target at 40%. We would therefore recommend that the Council review their current policy and set a new target of 30%. This would be a top level and it would be down to developers to challenge this on a site by site basis by providing their own viability assessments. Given the outcome of the appraisals for the rural areas we would recommend that the threshold for schemes is reduced from 15 units to 10 units although at this lower level it will be difficult to achieve the 30% target.
- 7.9 The key to this approach is to ensure that the policy is flexible enough to allow developers to negotiate a lower percentage when they can demonstrate it is not viable. The report will then make it easier for the Council to assess the viability assessments submitted to them and reduce the need for external input. The market is currently very unstable and as such we would recommend that the appraisals are updated on a regular basis to ensure that any changes in both build costs and values are considered and that any resultant change in the level of affordable housing that is achievable is then reflected in policy.

APPENDICES

Appendix 1 – Cyril Sweett Report on Build Costs

Wyre Borough Council



Affordable Housing

Construction Cost Review

October 2010

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1.0 Introduction

This report provides a commentary on our current benchmark costs for affordable and private housing schemes adjusted to reflect regional factors associated with building in the Wyre Borough Council Area.

We have provided a range of costs and unit sizes on various housing and apartment types for comparison and consideration and have noted the various site abnormalities that would need to be considered as part of any particular appraisal.

We have identified separately the potential cost increases associated with achieving the specific levels of the Code for Sustainable Homes, based upon our research and published data provided as part of the Code.

Current inflation forecasts from the BCIS and our internal cost department have been included and again these will need to be considered against the benchmark costs and the anticipated programme of delivery.

2.0 Current Benchmark Costs

From analysis of internal benchmark data for housing developments that we are or have worked on, the current benchmark ranges for construction costs are as follows:

2.1 Affordable Housing

Type	Lower £/m2	Upper £/m2	Typical Area m2
1 bedroom apartment	1,147	1,474	60
2 bedroom apartment	1,010	1,283	70
2 bedroom house	995	1,244	85
3 bedroom house	968	1,245	91
4 bedroom house	952	1,209	117
5 bedroom house	940	1,206	138

2.2 Private Sector

Type	Lower £/m2	Upper £/m2	Typical Area m2
1 bedroom apartment	1,250	1,628	50
2 bedroom apartment	1,140	1,510	60
2 bedroom house	1,012	1,279	67
3 bedroom house	1,029	1,275	87
4 bedroom house	929	1,224	108
5 bedroom house	900	1,150	125

The above costs include allowances for associated build costs, infrastructure costs, external works and main contractor preliminaries and overheads and profit. No allowance has been included for any demolitions or site specific abnormal items within the above costs. The costs above provide for construction to the current Building Regulations.

2.0 Current Benchmark Costs (Cont'd)

2.3 Factors impacting on the benchmark data:

Notwithstanding the above range identified for a typical property, actual build costs for each scheme can be impacted on by a number of factors which can increase or decrease the average cost / m² for each unit, including:

1. Ground Conditions
2. External Façade and roofing treatment
3. Extent of and quality of the external works, roads and associated infrastructure costs associated with and specific to the development
4. Mix and volume of properties – mid and end terraces, semi and detached houses and apartments within the proposed scheme
5. Market Conditions and Developer specifications

Each of these items along with the associated demolition and clearance works to each site requires careful consideration and detailed costing to be undertaken to provide for an accurate budget for any particular scheme as the range of costs can vary substantially from one scheme to another.

Recently, we have received some tenders that are providing savings against anticipated build costs. This reduced level of cost is being driven by the current market and is however only typical on schemes that are being built over the next 12-months only.

2.4 Other Development cost items

We have commented below on other development costs that need to be considered on top of the above average rates.

Item	Comments
Contingency	<p>Subject to the size of scheme, the range of contingency can be between 2.5% and 7.5% on the construction costs to provide for design development and construction risk.</p> <p>For a scheme with 100+ units we would anticipate a contingency of 4.5%. Schemes between 25-100 units would be at 6% and below 25 should be around 7.5%.</p>
Professional Fees	<p>The allowance for professional fees can be dependant upon the value of the construction works being undertaken.</p> <p>On schemes of 100+ units the fee level can be around the 8% and on smaller schemes of 25-100 units the fee level can be around 10% and below 25 units the fee can be 12%.</p>

3.0 Code for Sustainable Homes

The benchmark data for the costs of typical schemes noted above provides for Code 3 being achieved to the affordable and private houses.

Homes provided as private are currently not required to be developed to Code 3 Standards.

From April 2010, proposed new changes to part L2 - Approved Document L2A: Conservation of fuel and power (New buildings other than dwellings) Approved Document L2B: Conservation of fuel and power (Existing buildings other than dwellings), are due to come into force.

This change in the Building Regulations will require all new private homes to comply with what is effectively the current Code 3 Standard for Energy Consumption.

Following on from this, the Government has set out proposals to achieve zero carbon on all new homes by 2016. This is effectively capturing the requirements of Code 6. Within this period, it is also expected that Code 4 will become required for affordable housing by 2014.

Cyril Sweett has worked with the Department for Communities and Local Government to provide a Cost Analysis of The Code for Sustainable Homes published in July 2008.

The study provides cost advice associated with achieving each level of The Code.

The tables below have been abstracted from the report and are provided as guidance only on the anticipated costs and are subject to varying factors that can influence each scheme and its surrounding environment. The costs need to read in-conjunction with the detailed report.

The increases identified below to achieve each level of the Code would need to be applied to the benchmark costs identified within Section 3.0 above as follows, subject to the actual standards and regulations in force when the relevant schemes are to be built:

3.0 Code for Sustainable Homes (Cont'd)

Anticipated Cost Increases:

Table 4.1: Detached house							
CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m ²	Percentage increase on 2006 Building Regs
Best Case (Market town scenario with low ecological value and low flood risk)							
1	£490	£275	£0	£0	£765	£7	1%
2	£490	£1,648	£0	£50	£2,188	£19	2%
3	£490	£3,916	£125	£220	£4,751	£41	5%
4	£490	£9,868	£125	£1,110	£11,593	£100	13%
5	£490	£17,132	£2,625	£1,600	£21,847	£188	24%
6	£490	£32,752	£2,625	£1,950	£37,817	£326	41%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£490	£275	£0	£0	£765	£7	1%
2	£490	£1,648	£0	£120	£2,258	£19	2%
3	£490	£3,916	£125	£460	£4,991	£43	5%
4	£490	£9,868	£125	£1,250	£11,733	£101	13%
5	£490	£17,132	£2,625	£1,950	£22,197	£191	24%
6	£490	£32,752	£2,625	£2,950	£38,817	£335	43%
Worst Case (Small scale scenario with high ecological value and medium/high flood risk)							
1	£490	£275	£0	£30	£795	£7	1%
2	£490	£1,648	£0	£585	£2,723	£23	3%
3	£490	£3,916	£125	£1,110	£5,641	£49	6%
4	£490	£10,914	£125	£2,000	£13,529	£117	15%
5	£490	£22,367	£2,625	£3,350	£28,832	£249	32%
6	£490	£40,228	£2,625	£4,190	£47,533	£410	52%

Table 4.2: End terraced house							
CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m ²	Percentage increase on 2006 Building Regs
Best Case (Market Town scenario with low ecological value and low flood risk)							
1	£490	£275	£0	£10	£775	£8	1%
2	£490	£1,648	£0	£220	£2,358	£23	3%
3	£490	£3,692	£125	£620	£4,927	£49	7%
4	£490	£7,115	£125	£1,270	£9,000	£89	12%
5	£490	£12,353	£2,625	£2,060	£17,528	£174	23%
6	£490	£24,822	£2,625	£3,270	£31,207	£309	41%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£490	£275	£0	£30	£795	£8	1%
2	£490	£1,648	£0	£460	£2,598	£26	3%
3	£490	£3,692	£125	£720	£5,027	£50	7%
4	£490	£7,115	£125	£1,760	£9,490	£94	13%
5	£490	£12,353	£2,625	£3,270	£18,738	£186	25%
6	£490	£24,822	£2,625	£3,810	£31,747	£314	42%
Worst Case (Small scale scenario with high ecological value and medium/high flood risk)							
1	£490	£275	£0	£120	£885	£9	1%
2	£490	£1,648	£0	£745	£2,883	£29	4%
3	£490	£3,916	£125	£1,270	£5,801	£57	8%
4	£490	£5,880	£125	£1,920	£8,415	£83	11%
5	£490	£13,292	£2,625	£3,810	£20,217	£200	27%
6	£490	£29,393	£2,625	£5,160	£37,668	£373.0	50.07%

3.0 Code for Sustainable Homes (Cont'd)

Anticipated Cost Increases (Cont'd):

Table 4.3: Flat							
CSH Level	Mandatory (£)	Energy (£)	Water (£)	Flexible (£)	Total cost (£)	Cost £ per m2	Percentage increase on 2006 Building Regs
Best Case (Urban regeneration scenario with low ecological value and low flood risk)							
1	£0	£460	£0	£0	£460	£8	1%
2	£0	£1,648	£0	£115	£1,763	£30	2%
3	£0	£2,622	£125	£145	£2,892	£49	4%
4	£0	£4,782	£125	£580	£5,487	£93	7%
5	£0	£8,289	£805	£1,170	£10,264	£174	13%
6	£0	£16,775	£805	£1,500	£19,080	£323	24%
Medium Case (Market town scenario with medium ecological value and low flood risk)							
1	£0	£275	£0	£10	£285	£5	0%
2	£0	£1,648	£0	£115	£1,763	£30	2%
3	£0	£2,622	£125	£175	£2,922	£50	4%
4	£0	£5,054	£125	£880	£6,059	£103	8%
5	£0	£9,962	£805	£1,500	£12,267	£208	15%
6	£0	£18,596	£805	£1,850	£21,251	£360	27%
Worst Case (City infill scenario with high ecological value and medium/high flood risk)							
1	£0	£460	£0	£40	£500	£8	1%
2	£0	£1,648	£0	£205	£1,853	£31	2%
3	£0	£2,622	£125	£420	£3,167	£54	4%
4	£0	£5,054	£125	£1,020	£6,199	£105	8%
5	£0	£12,055	£805	£1,850	£14,710	£249	19%
6	£0	£18,430	£805	£3,320	£22,555	£382	28%

4.0 Inflation Forecasts

The costs identified within Section 3 are current day (2q 2010) cost allowances, which provides for a current index of 207.

The current publicised construction cost forecasts as provided by the BCIS provides for the following quarterly all-in Tender Price Indices:

Year	Q1	Q2	Q3	Q4
2010			207	207
2011	208	210	211	213
2012	215	217		

We have identified below our current internal tender price forecasts.

TENDER PRICE INFLATION FORECASTS (% rates)

	2007	2008	2009	2010	2011	2012	2013	2014
East Anglia	5.50	3.00	-7.00	-4.75	1.25	2.25	4.00	4.50
East Midlands	4.50	2.75	-7.40	-4.75	1.25	2.25	4.00	4.25
West Midlands	4.50	2.75	-7.40	-4.75	1.25	2.25	4.00	4.25
North	5.00	2.75	-6.75	-5.00	1.00	2.25	3.75	4.25
Yorks & Humber	5.00	3.00	-7.25	-5.00	1.00	2.00	4.00	4.25
N West	5.00	3.00	-7.25	-5.00	1.00	2.50	4.00	4.50
N Ireland	5.00	2.50	-6.50	-4.25	1.50	2.50	4.00	4.25
Scotland	4.50	3.50	-6.50	-4.50	1.00	2.00	3.75	4.25
Central London	6.50	3.50	-6.50	-4.00	1.50	2.75	4.50	4.75
South East (ex London)	5.50	3.25	-6.75	-4.25	1.25	2.50	4.00	4.50
South West	5.50	3.00	-7.00	-4.50	1.25	2.50	4.00	4.50
Wales	4.50	2.50	-7.75	-4.75	1.00	2.00	3.75	4.00
Republic of Ireland	3.00	-18.00	-12.00	-5.00	1.00	2.00	5.00	6.00
UK average (exc. ROI)	5.25	3.00	-7.00	-4.50	1.25	2.50	4.00	4.50



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Each development will need to factor in inflation costs to suit the proposed programme of build to enable the anticipated out-turn costs to be established.

Appendix 2 – Development Assumptions

Development Scheme Assumptions

Location	Scheme (No. of Units)	Type of Development	Density (per ha)	Site Size (ha)	2 Bed	3 Bed	4 Bed	5 Bed	10%Aff	20% Aff	30% Aff	40% Aff	50% Aff
Fleetwood	20	Medium Density Family Housing	35	0.57	3	12	5		2	4	6	8	10
	50	High Density Town Centre Scheme	45	1.11	10	25	15		5	10	15	20	25
Poulton	20	Low Density Detached Housing	25	0.8			10	10	2	4	6	8	10
	50	High Density Town Centre Scheme	40	1.25	10	25	15		5	10	15	20	25
Thornton & Cleveleys	50	Medium Density Family Housing	35	1.43	8	30	12		5	10	15	20	25
	20	High Density Scheme	40	0.5	5	12	3		2	4	6	8	10
Garstang & Catterall	20	Low Density Detached Housing	25	0.8			10	10	2	4	6	8	10
	50	Medium Density Family Housing	35	1.43	8	30	12		5	10	15	20	25
Rural	15	Medium Density Family Housing	35	0.43		3	7	5	1	3	4	6	7
	10	Medium Density Family Housing	35	0.29		2	5	3	1	2	3	4	5
	10	High Density	40	0.25	8	2			1	2	3	4	5
	5	Low Density Detached Housing	20	0.25			3	2	0	1	1	2	2
	5	High Density	40	0.16	5	0			0	1	1	2	2