

Draft Version 1

Local Plan Viability Study

Swale Borough Council



23 December 2020

DRAFT

Quality Assurance

Date of Report

23 December 2020

Version

Draft

Filename and path

S:_Client Projects\2005_Swale BC_WPV_Reports\Main report\201224_Swale
WPV_draft_Versio 1 Client Issue.docx

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Executive Summary

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1 Introduction

1.1 The main objective in this viability assessment is to provide Swale Borough Council (the 'Council') with an evidence base to assist in identifying the viability impacts of emerging planning policies as the new draft Local Plan is developed.

1.2 The existing Local Plan; Bearing Fruits, sets out the vision for Swale Borough:

It is 2031 and Swale is known by the fruits of its endeavours.

We have harnessed our assets – a strategic location, diverse communities and an outstanding natural environment – and are a sustainable, flourishing place in which to enjoy life and do business, with:

- *Sittingbourne transformed into an attractive, competitive and prosperous town, with a thriving centre that residents across the Borough are proud to use;*
- *Sheerness and Queenborough as beacons of coastal rejuvenation leading the way to success for all communities on the Isle of Sheppey;*
- *Faversham, a thriving market town and heritage destination that has grown organically; and Successful rural communities across the downs, farmed plains and coast as places of innovation; nurturing enterprise, local produce and greater self-reliance.¹*

1.3 To achieve the vision the Local Plan sets out 12 core objectives:

- 1) *Adapt to climate change with innovation, reduced use of resources, managed risk to our communities and opportunities for biodiversity to thrive.*
- 2) *Use our coastal assets to support a strong economy and a sustainably managed environment.*
- 3) *Support economic success and improve community wellbeing with a network of maintained, protected and improved natural assets in town and country.*
- 4) *Conserve and enhance our historic and natural assets as the means to drive regeneration, tourism, and environmental quality and to reverse declines in their condition.*
- 5) *Strive for high quality design to bring a better quality of life, opportunities for healthy living and self-confidence to our communities.*
- 6) *Be flexible, provide choice and support sectors that can build on our strengths, diversify our economy, promote investment in skills, and develop our distinct opportunities in pursuit of greener and pioneering technologies.*

¹ Swale Borough Council, Bearing Fruits 2031 - The Swale Borough Local Plan, adopted July 2017

- 7) *Bring economic growth, regeneration and community development, especially to our most deprived communities.*
- 8) *Support our farming and food sectors so that they are at the forefront of increasing food security, reducing food miles and increasing local food consumption.*
- 9) *Provide the right housing to support demographic change and housing needs to regenerate and build stronger, greener communities.*
- 10) *Develop tourism and culture to support regeneration, employment growth, communities and environmental management.*
- 11) *Improve prosperity and environmental quality with efficient and sustainable transport networks.*
- 12) *Ensure timely delivery of the services and infrastructure to support strong communities.*

1.4 To ensure the objectives in the draft Local Plan can be delivered the Council is seeking:

- a robust evidence base that determines that the viability of the policies and proposals (including site allocations/typologies) set out in the local plan review are viable and can be delivered and that this is prepared in accordance with national policy, guidance and best practice; and
- evidence whether or not Swale Borough Council can or should proceed with a Community Infrastructure Levy.

1.5 The viability assessment is based on the 'viability standards' outlined in the revised National Planning Policy Framework (NPPF), Planning Practice Guidance (PPG), the Local Housing Delivery Group publication 'Viability Testing Local Plans', 2012; the Royal Institution of Chartered Surveyors (RICS) 'Financial Viability in Planning 1st Edition', 2012.; and the RICS Financial viability in planning: conduct and reporting. 1st Edition, May 2019.

1.6 The remainder of this report is structured as follows:

Section 2 – National Planning Policy Context This section sets out the statutory requirements for the Local Plan and CIL viability including the NPPF, CIL Regulations and PPG.

Section 3 – Methodology This section sets out our methodology to establish the viability of the various land uses and development typologies used in the testing. We also set out the professional guidance used when undertaking the economic viability appraisals.

Section 4 – Local Plan Context	This section sets out the details of the emerging planning policies of the draft Local Plan and their associated costs. In addition, we set out details of the existing Community Infrastructure Charging Schedule.
Section 5 – Developing viability scenarios	This section sets out each of our scenarios that we have used in the viability testing and how they have been devised.
Section 6 – Appraisal inputs & assumptions	This section sets out our viability inputs and assumptions that have been used in the development appraisals. Also, the assessment of greenfield and brownfield land values that have been used in the viability testing.
Section 7 – Viability testing results	This section sets out our viability testing results across all the scenarios.
Section 8 –Recommendations	In the final section we set our policy recommendations based on our evidence gathered and the results of our viability testing.

Declaration

- 1.7 In accordance with Royal Institution of Chartered Surveyors (RICS) Financial viability in planning: conduct and reporting 1st edition, May 2019 we declare the following:

Objectivity, impartiality and reasonableness

- 1.8 We can confirm that we have undertaken our financial viability assessment with objectivity, impartiality and without interference. In doing so we have made reference to all appropriate sources of information to form our conclusions and recommendations.

Conflict of interests

- 1.9 We confirm that we have undertaken a conflict of interest check in relation to this instruction and we are not aware of any deemed conflicts in relation to this instruction. We confirm that we are not acting on behalf of any party in relation to scheme specific viability testing in the Borough.

Not formal valuations

- 1.10 This report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to support the delivery of the

draft Local Plan. The appraisals are not a formal 'Red Book' (RICS Valuation, Global Standards 2017) valuation and should not be relied upon as such.

Novel Coronavirus (Covid-19)

- 1.11 The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.
- 1.12 Market activity is being impacted in many sectors. As at the date of the report, AspinallVerdi consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.
- 1.13 Our appraisals are therefore reported on the basis of ‘material valuation uncertainty’ as per Valuation Practice Statement 3 and Valuation Practice Guidance Applications 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our appraisals than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the Council keep the appraisals under frequent review.

MHCLG – planning system reform consultations

- 1.14 On the 06 August 2020, the government opened two consultations where they have suggested major changes to the UK planning system in the coming years. The two consultations are due to close in October and we currently do not know when any changes are likely to be implemented.
- 1.15 The first proposes changes to our current system to speed up housing delivery in the short term. The second looks longer term and proposes a complete overhaul to the existing system. We summarise both these White Paper documents as follows:

Changes to the current planning system consultation²

- 1.16 This document outlines a number of changes to the existing planning system. The four main points are listed below.
- changes to the standard method for assessing local housing need.
 - securing of “First Homes” through developer contributions in the short term until the transition to a new system.
 - supporting small and medium-sized builders by temporarily lifting the small sites threshold below which developers do not need to contribute to affordable housing.

² MHCLG, Changes to the current planning system consultation, August 2020

- extending the current Permission in Principle to major development.
- 1.17 The potential change with the greatest impact on this viability study would be the increase in the threshold for small sites which need to contribute towards affordable housing:

Planning for the future consultation³

- 1.18 This document outlines considerable long-term changes to the UK planning system. The outcome of this consultation will likely mean changes to primary legislation rather than just the NPPF.
- 1.19 A number of significant changes are proposed not least including the way local authorities' evidence and create local plans. Amongst other things the way viability is considered in the planning system will be transformed with proposals including the removal of S106 agreements and CIL. These would be replaced with a single consolidated 'Infrastructure Levy' which would include all planning gain developer contributions – including affordable housing.
- 1.20 These changes could have a significant impact on the Swale Borough Local Plan and this viability assessment. We don't know what future plans may look like under the new system but it is likely that viability assessments such as this will change considerably.

³ MHCLG, Planning for the Future – White Paper, August 2020

2 National planning policy context

- 2.1 Our economic viability appraisal has been carried out having regard to the NPPF and PPG. We set out the pertinent points of these documents as follows:

National Planning Policy Framework (NPPF) (February 2019)

- 2.2 The NPPF sets out the Government's planning policies for England and how these are expected to be applied. It was first published on 27 March 2012 and the Ministry of Housing, Communities & Local Government (MHCLG) issued a revised version in July 2018 which was updated again in February 2019 to reflect the introduction of the standard method for assessing local housing need.

Plans should be deliverable

- 2.3 The NPPF requires local plans to be deliverable, paragraph 16 of the revised NPPF states: *'Plans should:*

Plans should:

- a) be prepared with the objective of contributing to the achievement of sustainable development;*
- b) be prepared positively, in a way that is aspirational but deliverable;*
- c) be shaped by early, proportionate and effective engagement between planmakers and communities, local organisations, businesses, infrastructure providers and operators and statutory consultees;*
- d) contain policies that are clearly written and unambiguous, so it is evident how a decision maker should react to development proposals;*
- e) be accessible through the use of digital tools to assist public involvement and policy presentation; and*
- f) serve a clear purpose, avoiding unnecessary duplication of policies that apply to a particular area (including policies in this Framework, where relevant).'⁴*

Planning contribution/obligations

- 2.4 The setting of development contributions should not place the delivery of the plan at risk:
- 'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure*

⁴ MHCLG, February 2019, National Planning Policy Framework, paragraph 16

*(such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.*⁵

2.5 The NPPF states that planning obligations must only be sought where they meet all of the following tests:

'a) necessary to make the development acceptable in planning terms;

b) directly related to the development; and

*c) fairly and reasonably related in scale and kind to the development.'*⁶

Affordable housing

2.6 The NPPF sets a 10 units threshold for seeking affordable housing contributions, except in designated rural areas:

*'Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer).'*⁷

2.7 The NPPF defines major development as follows:

*'For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m² or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.'*⁸

2.8 Where affordable housing is sought, local planning authorities should seek at least 10% provision where there is identified need:

'Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:

a) provides solely for Build to Rent homes;

b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);

⁵ Ibid, paragraph 34

⁶ Ibid, paragraph 56

⁷ Ibid, paragraph 63

⁸ Ibid, page 68

- c) is proposed to be developed by people who wish to build or commission their own homes; or
d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.⁹

Vacant building credit

- 2.9 The NPPF allows for affordable housing obligations to be reduced if there are any existing buildings on site:

*'To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.'*¹⁰

Planning Practice Guidance (PPG)

- 2.10 Alongside the NPPF, updates to the PPG 'Viability and plan-making' were also applied. The guidance is now much more prescriptive on the methodology to determine the land value and as such Chapter 3 details our approach to land value taking into account those revisions. Chapter 4 goes on to outline how costs and values in development appraisals should be determined.

Viability to be resolved at planning making stage

- 2.11 The PPG builds on the NPPF in that viability matters should be resolved at the plan making stage rather than decision-making stage, thus placing further weight on viability assessments early in the process:

*'Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.'*¹¹

Setting of policy requirements for contributions

- 2.12 The PPG explains that Plans should set out the contributions expected from development. The contributions should *'include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).'*¹²

⁹ Ibid, paragraph 64

¹⁰ Ibid, paragraph 63

¹¹ MHCLG, 09 May 2019, Planning Practice Guidance, Paragraph: 002 Reference ID: 10-002-20190509

¹² Ibid, Paragraph: 001 Reference ID: 10-001-20190509

- 2.13 When setting policies these will need to be informed through evidence based on the infrastructure and affordable housing need for the area. There is also a need for clarity of policy requirements so that these can be reflected in the land value:

‘These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types or location of site or types of development.’¹³

- 2.14 In setting planning policy requirements local authorities need to have regard to the impact these have on development viability: *‘The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan.’¹⁴*

- 2.15 The PPG also places an emphasis on addressing education requirements when considering viability at plan-making stage:

‘When considering viability it is recommended that plan makers and local authorities for education work collaboratively to identify which schools are likely to expand, and where new schools will be needed as a result of planned growth.

It is important that costs and land requirements for education provision are known to inform site typologies and site-specific viability assessments, with an initial assumption that development will provide both funding for construction and land for new schools required onsite, commensurate with the level of education need generated by the development.’¹⁵

- 2.16 Ultimately the PPG is clear that total cumulative costs of policies should not render development unviable:

‘The total cumulative cost of all relevant policies should not be of a scale that will make development unviable. Local planning authorities should set out future spending priorities for developer contributions in an Infrastructure Funding Statement.’¹⁶

¹³Ibid, Paragraph: 001 Reference ID: 10-001-20190509

¹⁴ Ibid, Paragraph: 002 Reference ID: 10-002-20180724

¹⁵Ibid, Paragraph: 029 Reference ID: 10-029-20190509

¹⁶ Ibid

Need for engagement

- 2.17 The PPG places a greater emphasis on engagement at plan-making stage, from both plan makers and stakeholders:

'Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

*It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.'*¹⁷

Planning Practice Guidance for Housing For Older & Disabled People

- 2.18 There is a separate section of the PPG to help guide Councils in preparing policies on housing for older and disabled people (published 26 June 2019). The PPG recognises the necessity to plan for the housing needs of disabled people:

*'The provision of appropriate housing for people with disabilities, including specialist and supported housing, is crucial in helping them to live safe and independent lives. Unsuitable or unadapted housing can have a negative impact on disabled people and their carers. It can lead to mobility problems inside and outside the home, poorer mental health and a lack of employment opportunities. Providing suitable housing can enable disabled people to live more independently and safely, with greater choice and control over their lives. Without accessible and adaptable housing, disabled people risk facing discrimination and disadvantage in housing. An ageing population will see the numbers of disabled people continuing to increase and it is important we plan early to meet their needs throughout their lifetime.'*¹⁸

- 2.19 Where an identified need exists, planning policies can set out the proportion of new housing that will be delivered to the following standards:

'M4(1) Category 1: Visitable dwellings (the minimum standard that applies where no planning condition is given unless a plan sets a higher minimum requirement)

¹⁷ Ibid, Paragraph: 006 Reference ID: 10-006-20190509

¹⁸ MHCLG, 26 June 2019, Paragraph: 002 Reference ID: 63-002-20190626

M4(2) Category 2: Accessible and adaptable dwellings

M4(3) Category 3: Wheelchair user dwellings

*Planning policies for accessible housing need to be based on evidence of need, viability and a consideration of site specific factors.*¹⁹

2.20 The PPG recognises the diversity of specialist housing, stating:

*‘There is a significant amount of variability in the types of specialist housing for older people. The list above provides an indication of the different types of housing available, but is not definitive. Any single development may contain a range of different types of specialist housing.’*²⁰

2.21 In regards to how the viability of specialist housing for older people should be addressed, the PPG states the following:

‘Viability guidance sets out how plan makers and decision takers should take account of viability, including for specialist housing for older people. Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure. Plans can set out different policy requirements for different types of development. These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies and local and national standards, including the cost implications of Community Infrastructure Levy and section 106.

*Viability guidance states that where up to date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. Such circumstances could include types of development which may significantly vary from standard models of development for sale (for example housing for older people).’*²¹

Planning Practice Guidance for CIL

2.22 There is a separate section of the PPG for CIL. The CIL PPG was first published in June 2014 and last updated in March 2019. The PPG is intended to provide clarity on the CIL Statutory Regulations which were first introduced in April 2010 and amended in February 2011, November 2012, April 2013, February 2014, and March 2015.²² The Regulations have never been consolidated.

¹⁹ MHCLG, 26 June 2019, Paragraph: 009 Reference ID: 63-015-20190626

²⁰ Ibid, Paragraph: 010 Reference ID: 63-015-20190626

²¹ Ibid, Paragraph: 015 Reference ID: 63-015-20190626

²² <https://www.local.gov.uk/pas/pas-topics/infrastructure/cil-regulations-and-dclg-documents>

- 2.23 The PPG requires that *'charging authorities should think strategically in their use of the levy to ensure that key infrastructure priorities are delivered to facilitate growth and the economic benefit of the wider area'*.²³ Also, *'when deciding the levy rates, an authority must strike an **appropriate balance** between additional investment to support development and the potential effect on the viability of developments.'*²⁴ (our emphasis)

Other developer contributions

- 2.24 The PPG acknowledges that infrastructure can be funded in a number of ways i.e. CIL, S106, and Section 278. But local authorities need to be clear of their *'infrastructure needs and what developers will be expected to pay for through which route.*
- Authorities can choose to use funding from different routes to fund the same infrastructure. Authorities should set out in infrastructure funding statements which infrastructure they expect to fund through the levy and through planning obligations (see regulation 121A).*²⁵
- 2.25 Because the levy is intended to provide infrastructure to support development across the area it is acknowledged that there might be a need for some site-specific mitigation, which could be captured outside CIL through a Section 106 Obligation.

Can the levy be paid 'in kind' rather than in cash?

- 2.26 The charging authority can accept *'land and/or infrastructure to be provided, instead of money, to satisfy a charge arising from the levy.'*²⁶
- 2.27 Such an agreement is subject to the Charging Authority discretion. If a Charging Authority wished to adopt this approach *'of accepting infrastructure payments, they must publish a policy document which sets out conditions in detail. This document should confirm that the authority will accept infrastructure payments and set out the infrastructure projects, or types of infrastructure, they will consider accepting as payment (this list may be the same list provided for the purposes of regulation 123).'*²⁷

²³ MHCLG, 01 September 2019, PPG CIL, Paragraph: 012 Reference ID: 25-012-20190901

²⁴ Ibid, Paragraph: 010 Reference ID: 25-010-20190901

²⁵ MHCLG, 01 September 2019, PPG, Paragraph: 169 Reference ID: 25-169-20190901

²⁶ Ibid, Paragraph: 133 Reference ID: 25-133-20190901

²⁷ Ibid, Paragraph: 134 Reference ID: 25-134-20190901

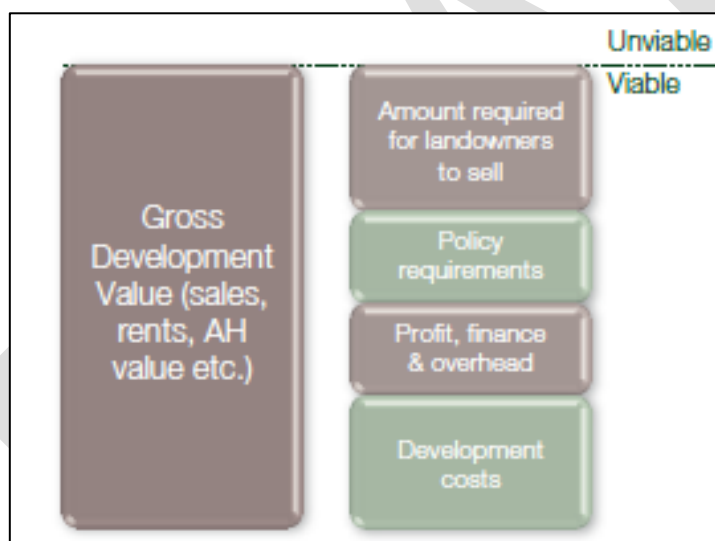
3 Methodology

- 3.1 In this section of the report, we set out our methodology to establish the viability of the various land uses and development typologies to use in the testing. We also set out the professional guidance that we have had regard to in undertaking the economic viability appraisals.

Viability modelling best practice

- 3.2 The general principle is that affordable housing, CIL and other planning obligations will be levied on the increase in land value resulting from the grant of planning permission. However, there are fundamental differences between land economics and every development scheme is different. Therefore, in order to derive planning contributions (including CIL) and understand the 'appropriate balance,' it is important to understand the micro-economic principles which underpin the viability analysis.
- 3.3 The uplift in value is calculated using a Residual Land Value (RLV) appraisal Figure 3-1 illustrates the principles of a RLV appraisal.

Figure 3-1 Elements required for a viability assessment



Source Harman Report²⁸ (June 2012)

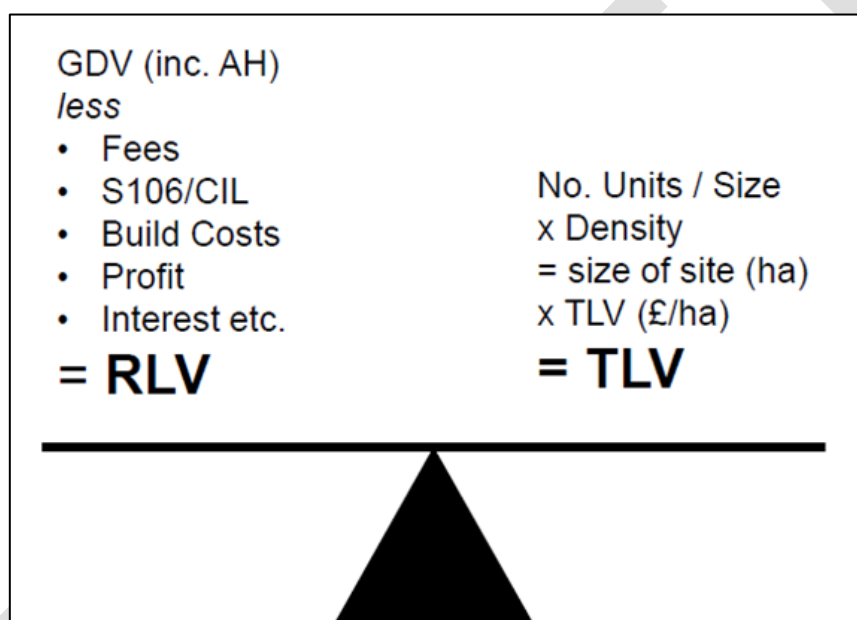
- 3.4 Our specific appraisals for each of the land uses and typologies are set out in the relevant section below.
- 3.5 In order to advise on the ability of the proposed uses/scheme to support affordable housing, other policy obligations and CIL we have benchmarked the residual land values from the viability

²⁸ Local Housing Delivery Group, Local Government Association / Home Builders Federation / NHBC, 20 June 2012, Viability Testing Local Plans, Advice for planning practitioners, Edition 1 (the 'Harman' report) page 30

analysis against existing or alternative land use relevant to the particular typology – the Threshold Land Value.

- 3.6 A scheme is viable if the total of all the costs of development including land acquisition, planning obligations, CIL and profit are less than the Gross Development Value (GDV) of the scheme. Conversely, if the GDV is less than the total costs of development (including land, S106s, CIL and profit) the scheme will be unviable.
- 3.7 If the balance is positive, then the policy is viable. If the balance is negative, then the policy is not viable and the CIL and/or affordable housing rates should be reviewed.
- 3.8 This approach is summarised on the diagram in Figure 3-2.

Figure 3-2 Balance between RLV and TLV



Source: AspinallVerdi (December 2020)

What to test?

- 3.9 For plan wide viability testing it is not necessary to test every proposed development site but to base the testing on the 'type of sites' which are reflective of the development proposed over the plan period – this is known as testing of 'typologies.' Where there are key sites (strategic sites) that are fundamental to the delivery of the plan these need to be considered separately. The PPG explains this as follows:

'Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some

*circumstances a more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*²⁹

What is meant by a typology approach to viability?

3.10 Typologies for the viability testing are to be based on the proposed development in the plan to ensure the testing represents the type of development coming forward. In doing so it is appropriate to consider *'shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development.'*³⁰

Viability testing of key sites

3.11 The PPG considers key sites as those sites that are crucial to the delivery of the plan *'...for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas.'*³¹

Development appraisal inputs

3.12 In devising the inputs to use in the appraisals, it is acceptable to use standardised inputs, rather than relying on site specifics: *'All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'*³²

Gross Development Value

3.13 The Gross Development Value is the cumulative value of the completed development. For plan wide viability assessments *'...average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data.'*³³

Development costs

3.14 The PPG explains, as with values, cost should also reflect local market conditions, it also places an emphasis to identify development costs at plan-making stage: Local market development costs could relate to dealing with local ground conditions, environmental mitigation, flood risk, design requirements, sustainability etc. The PPG states *'As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.'*³⁴

²⁹ MHCLG, 05 May 2019, PPG, Paragraph: 004 Reference ID: 10-004-20190509

³⁰ Ibid, Paragraph: 004 Reference ID: 10-003-20180724

³¹ MHCLG, 24 July 2018, PPG, Paragraph 005 Reference ID: 10-005-20180724

³² MHCLG, National Planning Policy Framework (NPPF), February 2019. Paragraph 57

³³ Ibid, Paragraph: 011 Reference ID: 10-011-20180724

³⁴ MHCLG, 05 May 2019, PPG, Paragraph 014 Reference ID: 10-014-20190509

Benchmark (threshold) land value

3.15 Benchmark land value, also referred to as threshold land value, has been subject to much debate in recent years due to trying to establish the most appropriate method to determine it for planning purposes. The two most common approaches have been Existing Use plus and Market Value adjusted for policy. The latter, although a more market facing approach, has faced criticism³⁵ because practitioners have not been adjusting land values fully for policy. The PPG now provides a clear single method (Existing Use plus premium) in determining land value:

*'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+)'³⁶*

3.16 The PPG also sets out the factors that should be considered when establishing the land value:

- *'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'*

*Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. **Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.** There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*

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. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic

³⁵ Sayce, S, et al, January 2017, Viability and the planning system: the relationship between economic viability testing, land values and affordable housing in London

³⁶ MHCLG, 05 May 2019, PPG, Paragraph: 013 Reference ID: 10-013-20190509

benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.³⁷

3.17 Despite the clarity the PPG brings, there is still uncertainty on how the premium is calculated. This was highlighted in the research undertaken by Sarah Sayce: *‘Overall, the ‘EUV plus’ approach was favoured by the majority of respondents, despite the recognition that **the premium element can be difficult to assess in some circumstances.***³⁸

3.18 The PPG explains *‘The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.*

*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration.*³⁹

3.19 In helping to inform the professional judgement, a balance needs to be struck between the competing interests (developers, landowners and the aims of the planning) *‘to secure maximum benefits in the public interest through the granting of planning permission.*⁴⁰

3.20 In considering suitable premiums to apply we are mindful of the following:

- **The Harman Report**⁴¹ - was published in response to the introduction of viability becoming more prominent in the planning system post the introduction of the NPPF. Although the Harman Report pre-dates the current iteration of the PPG on viability it does recommend the EUV plus approach to determine land value for planning purposes. The Harman report also advocates that when assessing an appropriate Benchmark Land Value, consideration should be given to *‘the fact that future plan policy requirements will have an impact on land values and owners’ expectations.*⁴² Harman, does acknowledge that reference to market values will provide a useful ‘sense check’ on the Benchmark Land Values that are being used in the appraisal model; however, *‘it is not recommended that these are used as the*

³⁷ MHCLG, 09 May 2019, PPG, Paragraph: 014 Reference ID: 10-014-20190509

³⁸ Sayce, S, et al, January 2017, viability and the planning system: the relationship between economic viability testing, land values and affordable housing in London, page 6

³⁹ MHCLG, 09 May 2019, PPG, Paragraph: 016 Reference ID: 10-016-20190509

⁴⁰ MHCLG, 24 July 2018, PPG, 3.21 Paragraph: 010 Reference ID: 10-010-20180724

⁴¹ Local Housing Delivery Group Chaired by Sir John Harman, 20 June 2012, Viability Testing Local Plans, Advice for planning practitioners

⁴² Ibid, page 29

*basis for input into a model.*⁴³ It also acknowledges that for large greenfield sites, *'land owners are rarely forced or distressed sellers, and generally take a much longer term view over the merits or otherwise of disposing of their asset.'*⁴⁴ It refers to these 'prospective sellers' as **'potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.'**⁴⁵ In these circumstances, Harman states that for these greenfield sites that **'the uplift to current use value sought by the landowner will invariably be significantly higher than in an urban context and requires very careful consideration.'**⁴⁶

- **HCA Area Wide Viability Model** - although now a dated document, the HCA Area Wide Viability Model (Annex 1 Transparent Viability Assumptions) provides guidance on the size of the premium. The guidance states that *'Benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value'*.⁴⁷
- **Inspector's Post-Hearing Letter to North Essex Authorities** – the Inspector's letter is in relation to, amongst other things, the viability evidence of three proposed garden communities in North Essex. The three Garden Communities would provide up to 43,000 dwellings in total. The majority of land for the Garden Communities is in agricultural use, and the Inspector recognised that the EUV for this use would be around £10,000 per gross acre. In this case, the Inspector was of the opinion that around a **x10 multiple** (£100,000 per gross acre) would provide sufficient incentive for a landowner to sell. But given *'the necessarily substantial requirements of the Plan's policies'* a price *'below £100,000/acre could be capable of providing a competitive return to a willing landowner'*.⁴⁸ The Inspector, however, judged that *'it is extremely doubtful that, for the proposed GCs, a land price below £50,000/acre – half the figure that appears likely to reflect current market expectations – would provide a sufficient incentive to a landowner. The margin of viability is therefore likely to lie somewhere between a price of £50,000 and £100,000 per acre.'*⁴⁹

Conclusion on approach to land value

- 3.21 Current guidance is clear that the land value assessment needs to be based on Existing Use plus Premium and not a Market Value approach. Although the assessment of the Existing Use can be informed by comparable evidence the uncertainty lies in how the premium is calculated. Whatever is the resulting land value (i.e. Existing Use plus Premium) the PPG is clear that this

⁴³ Ibid

⁴⁴ Ibid, page 30

⁴⁵ Ibid

⁴⁶ Ibid

⁴⁷ HCA, August 2010, Area Wide Viability Model (Annex 1 Transparent Viability Assumptions)

⁴⁸ Planning Inspectorate, 15 May 2020, Examination of the Shared Strategic Section 1 Plan - North Essex Authorities, Paragraph 204

⁴⁹ Ibid, Paragraph 205

must reflect the cost of complying with policies: 'the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value.'⁵⁰ Furthermore, there is a need to ensure that the maximum benefits in the public interested are secured once any future granting of planning permission is made.

Viability modelling approach

3.22 We have undertaken viability testing using a bespoke Microsoft Excel model. The model calculates the viability surplus/deficient for each scenario with results displayed in a series of tables. The viability model treats the Benchmark Land Value as a viability input i.e. costs to the development rather than a comparison between a residual land value and Benchmark Land Value. The benefits of this approach are that land payments can be phased in the cashflow with appropriate interest accrued. The accompany sensitivity tables (see example in Table 3-1) work on the basis that the variables run through the appraisals to generate multiple results of surplus/deficient against the given variables. The example in Table 3-1 assumes a baseline position of 30% affordable housing and £0 per unit S106 - this produces a surplus of £2.25 6 million. This same surplus is circled in the sensitivity results table because they represent the same assumption in the appraisal. We can see through the sensitivity testing that should S106 increase to £10,00 per unit (as an appraisal input) the deficit decreases to £1.449 million.

Table 3-1 Example of development appraisal sensitivity tables

BALANCE		902,304 £ per ha		365,158 £ per acre		2,255,761		
Surplus/(Deficit)								
SENSITIVITY ANALYSIS								
		AH - % on site: 30%						
		30%						
Balance (RLV - TLV)	2,255,761	20%	25%	30%	35%	40%	45%	50%
	-	2,886,241	2,571,001	2,255,761	1,940,521	1,625,281	1,310,042	994,802
	2,500	2,684,488	2,369,248	2,054,008	1,738,768	1,423,528	1,108,289	793,049
	5,000	2,482,735	2,167,495	1,852,255	1,537,015	1,221,776	906,536	591,296
	7,500	2,280,982	1,965,742	1,650,502	1,335,262	1,020,023	704,783	389,543
	10,000	2,079,229	1,763,989	1,448,749	1,133,510	818,270	503,030	187,790
Site Specific S106	13,000	1,837,125	1,521,886	1,206,646	891,406	576,166	260,927	(54,313)
	15,000	1,675,723	1,360,483	1,045,244	730,004	414,764	99,524	(215,716)
	17,500	1,473,970	1,158,730	843,491	528,251	213,011	(102,229)	(417,468)
	20,000	1,272,217	956,978	641,738	326,498	11,258	(303,982)	(619,221)
	22,500	1,070,464	755,225	439,985	124,745	(190,495)	(505,735)	(820,974)
	25,000	868,712	553,472	238,232	(77,008)	(392,248)	(707,487)	(1,022,727)
	27,500	666,959	351,719	36,479	(278,761)	(594,001)	(909,240)	(1,224,480)
	30,000	465,206	149,966	(165,274)	(480,514)	(795,753)	(1,110,993)	(1,426,233)
	32,500	263,453	(51,787)	(367,027)	(682,267)	(997,506)	(1,312,746)	(1,627,986)
	35,000	61,700	(253,540)	(568,780)	(884,019)	(1,199,259)	(1,514,499)	(1,829,739)
	37,500	(140,053)	(455,293)	(770,533)	(1,085,772)	(1,401,012)	(1,716,252)	(2,031,492)
	40,000	(341,806)	(657,046)	(972,285)	(1,287,525)	(1,602,765)	(1,918,005)	(2,233,245)
	42,500	(543,559)	(858,799)	(1,174,038)	(1,489,278)	(1,804,518)	(2,119,758)	(2,434,997)
	45,000	(745,312)	(1,060,551)	(1,375,791)	(1,691,031)	(2,006,271)	(2,321,511)	(2,636,750)
	47,500	(947,065)	(1,262,304)	(1,577,544)	(1,892,784)	(2,208,024)	(2,523,264)	(2,838,503)
	50,000	(1,148,817)	(1,464,057)	(1,779,297)	(2,094,537)	(2,409,777)	(2,725,016)	(3,040,256)

Source: AspinallVerdi (December 2020)

⁵⁰ MHCLG, 24 July 2018, PPG, Paragraph: 012 Reference ID: 10-012-20180724

Stakeholder engagement

- 3.23 Due to the timescales and the implications of the global pandemic, it has not been possible at this stage to undertake a formal stakeholder consultation. We have had one to one discussions with members of the Council to discuss aspects such as carbon reductions and increased use of renewables. We have also seen information regarding the proposed land use schedule at the Rushenden South site. Following the publication of this report and any representations made, it may be appropriate to undertake stakeholder engagement at that stage.

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4 Local Plan context

- 4.1 As part of our viability testing, we have reviewed both the existing policies and where available, the relevant draft policies coming forward that Swale Borough Council is envisaging.

Policy costs inputs & assumptions

- 4.2 We have undertaken our policy assessment through a ‘traffic light system’: policies marked red (high impact) are presumed to have a direct impact on viability and have been incorporated into the economic appraisal. Where a policy is considered to have medium risk (amber colour), generally it has an indirect impact on viability and has been factored into the study through the property market cost and value inputs and assumptions. Our assessment has been undertaken on the existing adopted policies from the current Local Plan and any unfolding draft policies coming forward. A summary is set out in Table 4-1 on how the costs are reflected in our appraisals and our full planning policy analysis is in Appendix 1.

Table 4-1 Policy costs inputs & assumptions

Element	Cost	Comment
Existing policy – Swale Borough Council, Kent County Council and SPD's		
Social care	£147 per dwelling	Kent County Council general site requirements.
Library services	£55 per dwelling	As above
Community learning and youth services	£82 per dwelling	As above
Waste and recycling	£184 per dwelling	As above
Health care	£360 per occupant	Kent County Council general site requirements, based on Kent and Medway CCG occupant calculations for S106 health contributions.
Play provision	£690 per dwelling	SBC Developer Contributions SPD.
Primary school costs	£ Variable	Cost depends on local requirements, as identified in Kent County Council general site requirements.
Secondary school costs	£5,176 per 'applicable' house £1,294 per 'applicable' flat	As per Kent County Council correspondence.
Swale Borough Council – Adopted Local Plan		
Policy DM21 – Water flooding and drainage	£9 per dwelling	Policy requires all homes to achieve water efficiency of 110 litres per person per day. Based Department of Communities and Local Government Housing Standards Review Cost Impact, September 2014 by EC Harris.

Element	Cost	Comment
Future policy options – pending consideration by Swale Borough Council		
Affordable housing	Variable	Treated as a viability output, commentary in the report as to the level that could be achievable.
Housing accessibility	M4(2), £1,400 per dwelling M4(3), £10,307 per dwelling	M4(2) cost is based on the MHCLG Raising accessibility standards for new homes consultation paper (2020). Previously set at £521 per unit based on the DCLG Housing Standards Review. M4(3) cost is based on the DCLG Housing Standards Review, Final Implementation Impact Assessment, March 2015, paragraphs 153 and 157.
20% biodiversity net gain	£1,128 per dwelling	Based on: Biodiversity net gain and local nature recovery strategies, 2019 Impact Assessment by DEFRA, using the central estimate cost per dwelling for the South East. To achieve 20% biodiversity net gain – 19% increase in cost. £948 + additional £180 per unit = £1,128 <i>‘When analysing the impact of changing the level of net gain required, we show that doubling (to 20%) and halving (to 5%) the net gain percentage increases costs to developers by 19% and decreases costs by 10% respectively in both a 10 year and 40-year appraisal period.’</i>
Mitigating and adapting to climate change through sustainable design and construction	Up to £10,000 per dwelling to achieve: 100% reduction in operational carbon and, 75% of total operational energy demand from renewable energy	Carbon reduction mitigation measures and their associated costs is dependent on the technology solution used – these are outlined as follows: Cost based on MHCLG The Future Homes Standard 2019 Consultation on changes to Part L: Impact Assessment: 20% reduction in CO2 based on 2013 standards, £2,557 per dwelling (assuming fabric, gas boiler and wastewater heat recovery system). 31% reduction, £4,850 per dwelling (adds in PV panels) There are alternative energy efficiency costs based on research by Currie & Brown, Cost of Carbon Reduction in New Buildings, 2018:

Element	Cost	Comment
		<p>10% reduction using fabric installation, £2,100 per dwelling and a further 23% reduction achieved using an air source heat pump (ASHP), £4,200 per dwelling</p> <p>48% reduction using PV installation, £4,700 per dwelling.</p> <p>72% reduction, £7,300 per dwelling (achieved by onsite reduction PV).</p> <p>Zero regulated carbon, £6,800 - £10,100 per dwelling (varies on house type). Achieved by a combination of measures.</p> <p>The Council has confirmed that to achieve their carbon reduction and renewables goals and element of double counting is allowed e.g. PVs or ASHP will help meet both goals.</p>
Sustainable energy production, distribution and storage	Included in the professional fees	All development over 100 dwellings or 3,000m2 will be accompanied by an Energy Masterplan. This will set out how energy will be generated, distributed and stored across the site and, where appropriate, connect to existing or planned heat networks.
Electric charging points	<p>£500 per dwelling housing schemes assumed wallbox</p> <p>£10,000 per multi car park charge point for flatted schemes – assumed for every 4 dwellings</p>	<p>Cost for the unit per dwelling based on discussions with the Councils' consultant; SquareGain and information provided by Energy Savings Trust and the Office for Low Emission Vehicles (OLEV).</p> <p>Cost for multi-car park schemes based on cost advice by Swindon Borough Council for their Whole Plan Wide Viability study we are advising on.</p>
Air quality assessments	Included in professional fees	Based on our experience of other studies.
SuD's	Cost to deliver included in external cost allowance, with SuDs delivered in the difference between the	Based on our experience of other studies e.g. North Kesteven in Lincolnshire were one of the first authorities to introduce SuDs. Recent site visits of new build schemes in the area have shown us that SuDs have been delivered through the landscaping solution for the site.

Element	Cost	Comment
	gross to net allowance developable area.	

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Supplementary Planning Document (SPD)

4.3 The Council has a number of SPDs which provide more detail than that set out in the Local Plan of what needs to at development management stage – the SPDs are set out as follows:

- **Parking Standards, May 2020** – this SPD provides guidance on parking standards within the Borough. The aim of the SPD is to establish a more appropriate and effective response to parking issues relating to new development across the Borough.
- **Swale Landscape Character and Biodiversity Appraisal SPD (2011) Part 1 & 2** – the purpose of the appraisal is to provide a framework for Development Control decisions on matters of landscape character and the second element is to protect and enhance biodiversity within the LDF and in Development Control decisions.
- **Stones Farm Development Brief SPD (May 2011)** – the SPD sets out the development parameters for the Stone Farm site.
- **Queenborough and Rushenden Masterplan SPD (November 2010)** – the SPD sets out the masterplan for the regeneration of the Queenborough and Rushenden area.
- **Sittingbourne Town Centre and Milton Creek Masterplan SPD (September 2010)** - the SPD sets out the masterplan for the regeneration of the Sittingbourne Town Centre and Milton Creek areas.
- **Developer Contributions SPD (November 2009)** – the purpose of this SPD is to provide guidance to developers submitting planning applications in respect of the Council's expectations for developer contributions.
- **Area Action Plan 8 - Queenborough and Rushenden Development Framework and Statement of Community Involvement** – sets out the long-term vision of the circa 161 hectares of land and buildings on both sides of Queenborough Creek, the existing residential and business communities at Rushenden and the employment land allocation at Neatscourt.

Supplementary Planning Guidance (SPG)

4.4 The Council has a number of SPGs which are used to provide detail on certain standards and approaches of which developers should normally take account –these are as follows:

- **The Conversion of Buildings into Flats and Houses in Multiple Occupation** – the purpose of this SPG is to provide developers with guidance on the criteria the Council will take into account when determining planning applications for change of use of buildings into flats and house of multiple occupation.
- **Listed Buildings - A Guide for Owners and Occupiers** – the purpose of this SPG, amongst other things, is to provide information of the different types of listing categories

for buildings, the controls and consents for any works, and to highlight grants may be available for works.

- **The Conservation of Traditional Farm Buildings** – the SPG provides a definition of traditional farm buildings and explains that the first priority is for their continued use. It then, amongst other things, sets out the principles of conversion for these types of buildings.
- **The Design of Shop fronts, Signs and Advertisements** – the SPG provides a guidance to the criteria the Council will use when considering planning applications for shopfronts and advertisements.
- **Designing an Extension - A Guide for Householders** – the SPG outlines points to consider when proposing an extension in order to protect and enhance the appearance of the property.
- **Planting on New Developments - A Guide for Developers** – the SPG explains in detail the Council's requirements in respect of planting on larger developments.
- **The Erection of Stables and Keeping of Horses**** - the SPG sets out the Council's requirements for the standard expected for those buildings connected with the keeping of horses and other related matters.
- **Conservation Areas** – the SPG describes the purpose of conservation area designation. It also sets out the implications for development in the conservation area.

Technical Guidance

4.5 The Council has prepared the Air quality and planning, technical guidance, November 2019. The technical guidance has been prepared in conjunction with the Kent and Medway Air Quality Air Quality Partnership. The Technical Guidance is a response to updates in the NPPF. As set out in the guidance, the document aims to:

- *‘Explain how air quality is dealt with in planning applications in Swale, providing clarity and consistency of the process for developers, the local planning authority (LPA) and local communities.*
- *Explain the standard mitigation requirements expected for all development.*
- *Explain the emissions mitigation assessment (including damage cost calculations) expected for development with potential air quality impacts.*
- *Set out when an Air Quality Assessment (AQA) is required, how this should be undertaken and how it will be used to determine the air quality impacts of planning applications.’⁵¹*

⁵¹Swale Borough Council, November 2019, Air quality and planning Technical guidance, pages 2 & 3
28

Guidance Documents

4.6 The Council has guidance documents to assist parties involved in the development of renewable energy – the documents are set out as follows:

- **The development of domestic and medium scale solar PV arrays up to 50kW and solar thermal** – the guidance document focuses on PV arrays of domestic scale. The purpose of this guidance document is to provide planning advice in respect of solar photo voltaic (PV) and roof mounted solar thermal installations with a capacity of up to 50kW, or approximately 200- 250 solar PV panels.⁵²
- **The development of large scale (>50kW) solar arrays** – the guidance document focuses on commercial scale solar arrays. The purpose of this guidance document is to provide planning advice in respect of solar photo voltaic (PV) installations with a capacity in excess of 50kW. Planning advice in respect of solar PV.⁵³

4.7 In addition, the Council has other guidance documents:

- **Lynsted Parish Design Statement** – the aims and objectives of the design statement are:
 - *‘To analyse the parish of Lynsted, the visual character of the landscape, the settlement pattern, building and space, and its system of roads and paths.*
 - *To distil the essence of what makes the Parish unique and distinct, and to provide guidance as to how this can be conserved into the future.*
 - *To involve all individuals, groups and organisations that have an interest in the parish and its future.*
 - *To prepare an action plan that includes surveys, consultation, workshops, discussion, publicity and the timely production of a statement that is attractive, well illustrated and easy to read.’⁵⁴*
- **Abbott Laboratories Ltd - Development Brief** – this document sets out the development parameters for Abbott Laboratories land, east of Whiteway Road, Queenborough.
- **Ospringe design statement** – the statement is intended to influence the design and development in the parish.

Management Plan

4.8 The Council explains that part of the Kent Downs Area of Outstanding Natural Beauty (AONB) falls within Swale Borough. For those local authorities areas that contain part of an AONB the

⁵² Swale Borough Council, July 2014, The development of domestic and medium scale solar PV arrays up to 50kW and solar thermal, page 1

⁵³ Swale Borough Council, July 2014, The development of large scale (>50kW) solar arrays, page 1

⁵⁴ Swale Borough Council, 30th April 2002, Lynsted Parish Design Statement, page 3

Countryside and Rights of Way Act 2000 requires them to prepare a Management Plan. The Management Plan sets out the policy of the local authorities for the management and enhancement of the AONB over a five year period. The current Kent Downs AONB Management Plan was adopted by the Council in 2014, and is currently being reviewed to roll it forward to 2025.

4.9 In addition to the Management Plan the Kent Downs AONB has provided a number of publications which provide guidance on conserving and enhancing the landscape – these are as follows:

- Kent Downs AONB Guidance on the selection and use of colour in development – Guidance
- Kent Downs AONB Guidance on the selection and use of colour in development – Survey
- Kent Downs AONB Farm Diversification Toolkit
- Kent Downs AONB Farmstead Guidance
- Landscape Design Handbook
- Managing Land for Horses – a guide to good practice in the Kent Downs AONB
- Kent Downs AONB Rural Streets and Lanes: a design handbook

5 Developing viability scenarios

- 5.1 We now set out the scenarios to use in our viability testing. As we have explained in Chapter 3 it is not necessary to test every proposed development (or in the case of Regulation 18 potential development) in the plan but a typology is acceptable
- 5.2 Typologies for the viability testing are to be based on the proposed development in the Plan to ensure the testing represents the type of development coming forward. In doing so it is appropriate to consider '*shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development.*'⁵⁵

Residential typologies

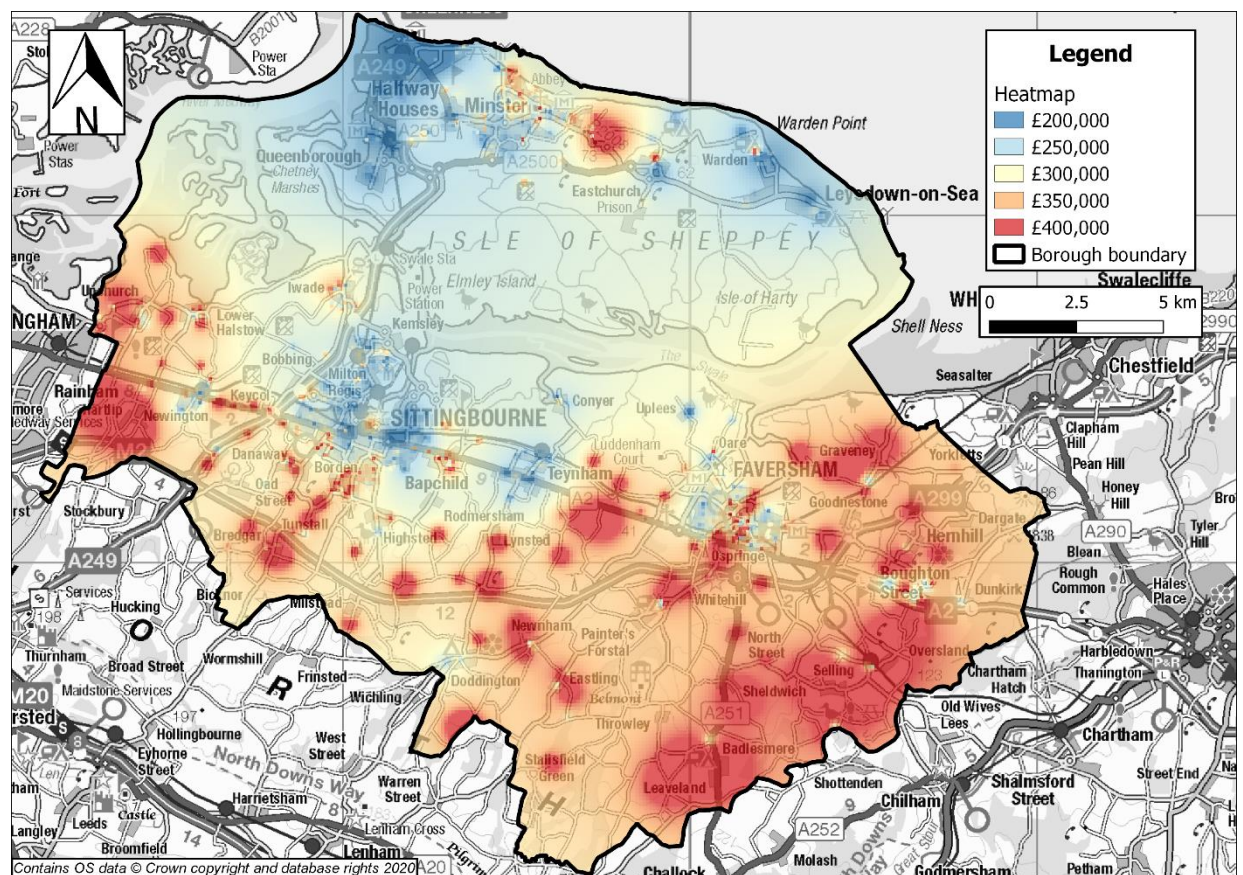
- 5.3 As we demonstrate in this section the Borough's potential residential allocations will come forward over a relatively small number of sites. As we are not dealing with a large number of sites to potentially test, we have agreed with the Council to assess all of the planned sites using standardised appraisal inputs. We have supplemented the potential residential allocations with a number of generic typologies, which represent any windfall development and potential development anticipated Sittingbourne town centre – further details of the sites are set out in this chapter.

Establishing the value zones

- 5.4 We have sought to devise value zones to vary the value inputs in our testing. Our detailed analysis of the residential market is set out in Chapter 2 of the Property Market Report in Appendix 2. As illustrated in the heatmap in Figure 5-1 and supported by the Property Market Report, there is some price variation across the Borough on a price per unit basis. With lower values area (depicted in blue) found around the Isle of Sheppey, in particular Sheerness, and towards the urban area of Sittingbourne. The south of the Borough, along the M2 corridor higher values are achieved. With some particular higher values achieved along the Kent Downs Area of Outstanding Natural Beauty.

⁵⁵ Ibid, Paragraph: 004 Reference ID: 10-004-20190509

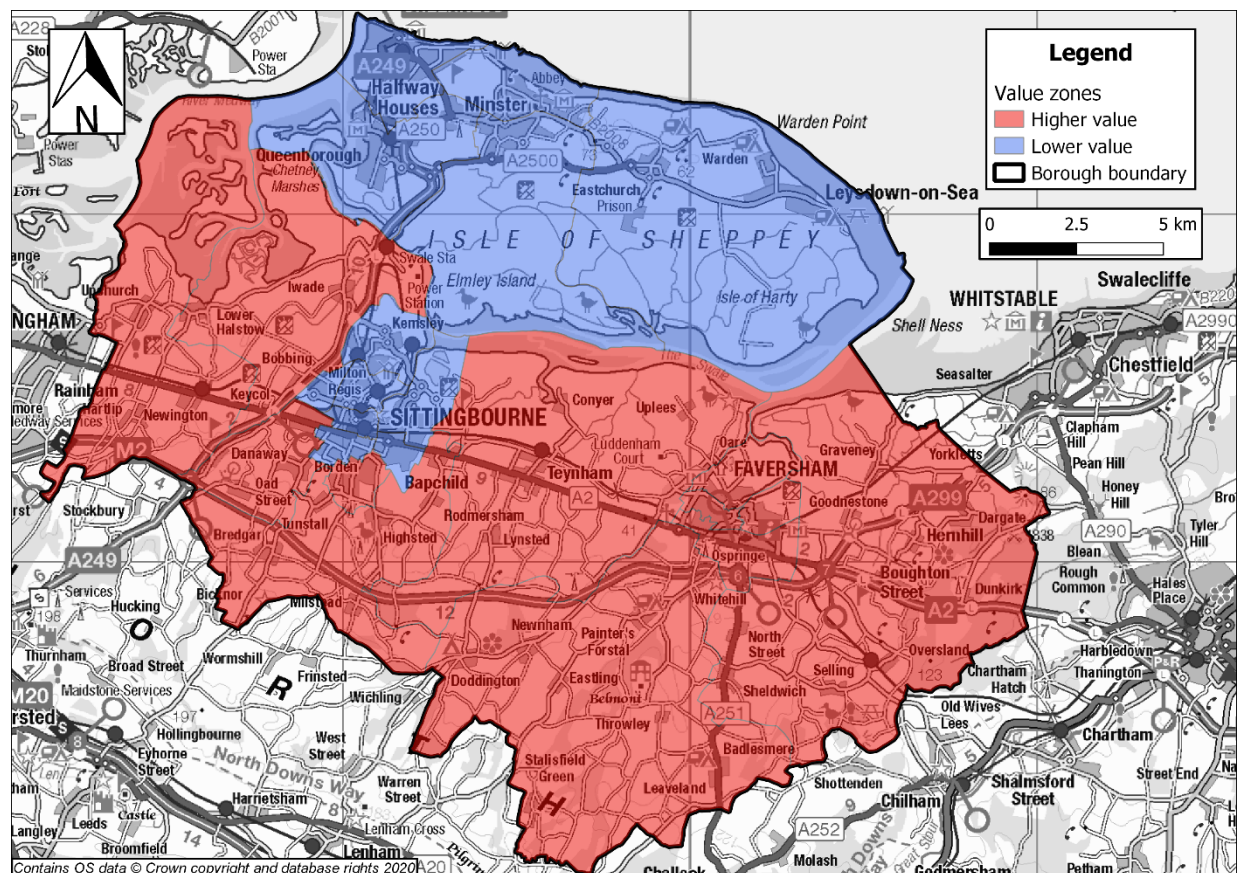
Figure 5-1 Value heatmap



Source: Property Market Report in Appendix 2 (December 2020)

- 5.5 The lowest value areas identified in our analysis are on the Isle of Sheppey and within central Sittingbourne. The highest value areas are found in Faversham and in more rural areas. Consultation with agents and developers have confirmed that the heatmap in Figure 5-1 is reflective of the price variation across the Borough.
- 5.6 Based on the evidence of sale values, we concluded in the Property Market Report in Appendix 2 that there is justification to vary the viability testing across two value zones – see Figure 5-2.

Figure 5-2 Value zones used in viability testing



Source: Property Market Report in Appendix 2 (December 2020)

- 5.7 In establishing the value zones in Figure 5-2, we have also been mindful of the pattern of the proposed development (further details set out in Figure 5-4). For the analysis of the value zones, ward boundaries have been used, as not only do they provide a clear definable boundary they represent the ‘best fit’ for the variation in property prices.
- 5.8 The lower value zones comprise those wards in the Isle of Sheppey and Sittingbourne. The higher value zone is spread across the remainder of the Borough. The electoral wards for each value area are set out in Table 5-1.

Table 5-1 Value zone by electoral ward

Value zone	Wards
Lower value area	Homewood, Woodstock, Roman, Chalkwell, Milton Regis, Murston, Kemsley, Sheppey East, Sheppey Central, Minster Cliffs, Queenborough and Halfway, Sheerness West
Higher value area	Bobbing, Iwade and Lower Halstow, Hartlip Newington and Upchurch, Borden and Grove Park, The Meads, West Downs,

Value zone

Wards

Teynham and Lynsted, East Downs, Priory, St. Ann's, Abbey,
Watling, Broughton and Courtenay

Source: AspinallVerdi (December 2020)

- 5.9 The values adopted in each of these zones are set out in Table 5-2 – details of how these values are derived are set out in the Property Market Report in Appendix 2.

Table 5-2 Proposed sale values in viability testing

Typology	Unit Size sqm	Unit Price	£psm
Lower value area			
1-bed flat	50	£175,000	£3,500
2-bed flat	60	£210,000	£3,500
2-bed house	70	£240,000	£3,428
3-bed house	90	£330,000	£3,666
4-bed house	120	£430,000	£3,583
Higher value area			
1-bed flat	50	£195,000	£3,900
2-bed flat	60	£235,000	£3,917
2-bed house	70	£265,000	£3,786
3-bed house	90	£370,000	£4,111
4-bed house	120	£465,000	£3,875

Source: Property Market Report in Appendix 2 (December 2020)

- 5.10 In devising the appropriate unit sizes in Table 5-2, we have had regard to our market analysis (summarised in Table 5-3) and to national minimum space standards (see Figure 5-3).

Table 5-3 Analysis of unit sizes of recently delivered schemes

No. of Bedrooms	Minimum unit size (sqm)	Maximum unit size (sqm)
1 bed flat	40	60
2 bed flat	61	72

No. of Bedrooms	Minimum unit size (sqm)	Maximum unit size (sqm)
1 bed house	n/a	n/a
2 bed house	63	76
3 bed house	77	118
4 bed house	91	150

Source: Property Market Report in Appendix 2 (December 2020)

Figure 5-3 National minimum space standards

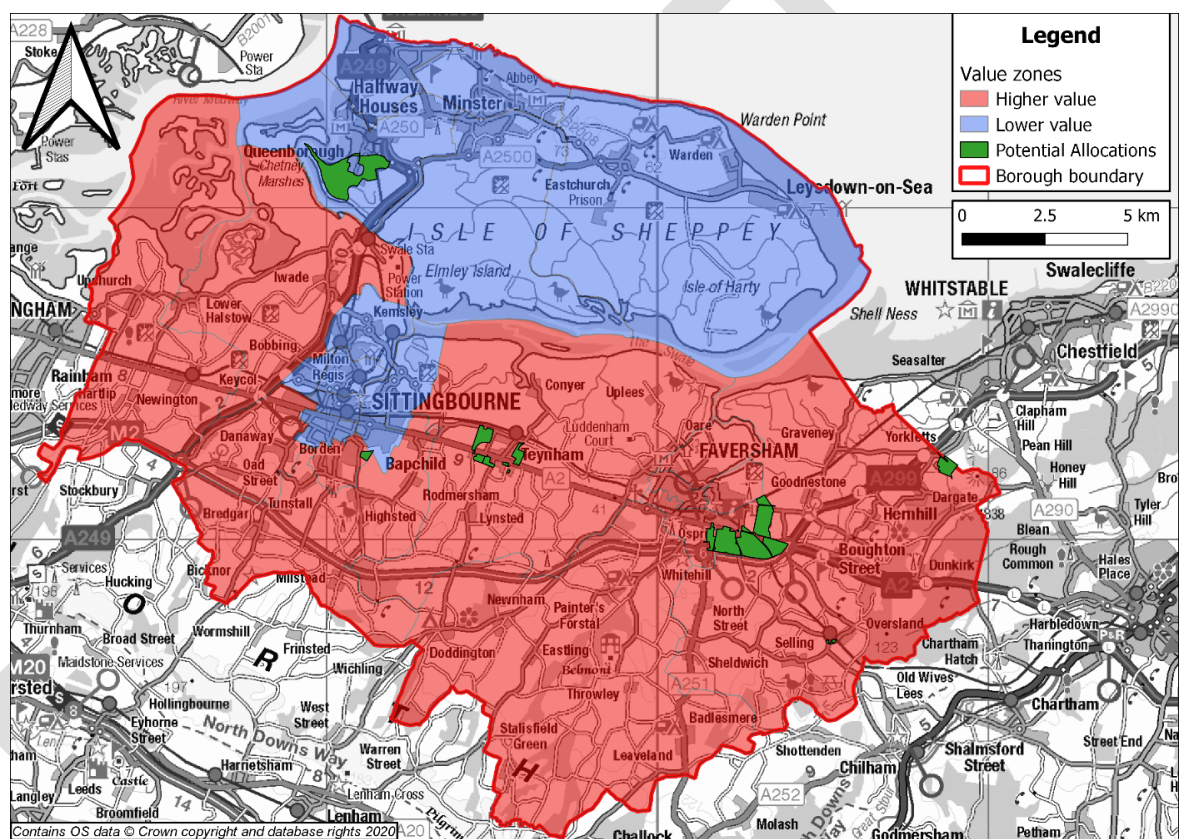
Number of bedrooms(b)	Number of bed spaces (persons)	1 storey dwellings	2 storey dwellings	3 storey dwellings	Built-in storage
1b	1p	39 (37) *			1.0
	2p	50	58		1.5
2b	3p	61	70		2.0
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3.0
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4.0
	8p	125	132	138	

Source: MHCLG, Technical housing standards – nationally described space standard (March 2015)

Pattern of proposed residential development

- 5.11 The next step is to see how those sites being promoted in the draft Strategic Housing Land Availability Assessment (SHLAA) relate to the value zones proposed and whether they comprise greenfield or brownfield sites (to allow further variation of the viability inputs).
- 5.12 We have overlaid these sites with our two value zones - see Figure 5-4. The analysis shows that there are larger developments proposed on greenfield sites on the urban fringes of Sittingbourne and Faversham. One large site is also located in the Isle of Sheppey and is part greenfield, part brownfield. The smaller sites are also in similar edge of town locations.

Figure 5-4 Distribution of residential development growth against value zones



Source: AspinalVerdi, Swale Borough Council, QGIS, Ordnance Survey

Potential residential sites in the higher value zone

5.13 Table 5-4 sets out those sites that fall in the higher value zone. All sites identified are greenfield in nature. The gross densities proposed are relatively wide ranging, between 10 dph and 60 dph. Dwellings per gross hectare are either based on information provided by the Council or through dividing the gross site area by the number of proposed units.

Table 5-4 SHELAA potential allocations sites in higher value zone

Site name	SHLA A	Total no. of units	Gross density (dph)	Gross site area (ha)
Land at Cellar Hill	18/010	12	24	0.50
Chilton Manor Farm, Highstead Road	18/021	180	25	7.2
Land west of Frogna Lane	18/025	630	26	24.23
Land at Lady Dane Farm	18/091	600	14	42.86
Land adjacent Monica Close, Neames Forstal	18/093	30	43	0.70
Land east of Selling Road, Neames Forstal*	18/094	30	60	0.50
Land east of Selling Road, Neames Forstal	18/096	30	30	1.00
Land at Barrow Green Farm, east Teynham	18/106	100	13	7.69
Land south of London Road / West of Lynsted Lane	18/116	60	10	6.00
Land to the north of Claxfield Farm	18/122	180	30	6.00
Land to the east of Claxfield Farm	18/123	15	30	0.50
Land at Graveney Road	18/135	240	29	8.28
Land south of Dover Castle Inn / Cellar Hill	18/153	50	36	1.39
Land at Preston Fields	18/178	70	22	3.18
Land south east of Faversham	18/226	2,500	19	131

*60 dph so more flats included in the mix

Source: Swale Borough Council, AspinallVerdi (2020)

Potential residential sites in the lower value zone

- 5.14 As shown in Table 5-5 there is only one potential allocation in the lower value area. This is Rushenden South that we understand to be part brownfield and part greenfield.

Table 5-5 SHELAA brownfield sites in higher value zone

Site name	SHLAA	Total no. of units	Gross density (dph)	Gross site area (ha)
Rushenden South	18/113	850	6	141.67

Source: Swale Borough Council, AspinallVerdi (2020)

Generic residential typologies in the lower value zone

- 5.15 Given the low number of potential allocations in the lower value zone, we have agreed with the Council to test a number of generic typologies to reflect potential development in any windfall development and potential development anticipated Sittingbourne town centre- these scenarios are also scheduled in Table 5-6.

Table 5-6 Generic scenarios testing

No. of Units	Gross dwellings per hectare	Gross site area ha
Greenfield – lower value zone		
15	30	0.50
30	30	1.00
75	30	2.50
Brownfield – lower value zone		
15	100	0.15
30	60	0.50

Source: AspinallVerdi (2020)

- 5.16 For the generic brownfield sites, we have varied the development densities to reflect examples of flatted schemes (100 dph) and a mixed housing and flatted scheme (60 dph). In doing so we have also varied the dwelling mix.

Dwelling types and mix

- 5.17 At this stage, there is little evidence available to support dwelling mixes other than what has been delivered by the market. Therefore, we have referred to the local housing market to support our dwelling mix assumptions.
- 5.18 Table 5-7 summarises dwelling mix of schemes with planning permission, with further details in Appendix 3. The summary focuses on the dwelling mix for market housing where clearly defined in the schemes list in Appendix 3. The mix percentage for each of the typologies appear wide-ranging in Table 5-7 but in reality, the focus is predominantly 3-bed and 4-bed dwellings

Table 5-7 Residential development dwelling mix – schemes with planning permission

Typology	Mix percentage
1 bed	6% - 27%
2 bed	13% - 41%
3 bed	26% - 54%
4 bed	5% - 51%
5 bed	4%

Source: Swale Borough Council, planning portal (September 2020)

- 5.19 As for affordable housing, this is based on a tenure split of 60% affordable rent, 15% shared ownership and 25% First Homes. The proportion of First Homes as a tenure split is fixed at 25% as per the recent policy consultation response⁵⁶. As for the remainder, we have placed greater weight on affordable rent delivery as we understand that this is a policy ambition of the Council. Our proposed dwelling mixes are set out in Table 5-8.

Table 5-8 Market and affordable dwelling mixes

Typology	Open market housing mix	Affordable housing mix
2 bed House	27.0%	45.0%
3 bed House	35.0%	30.0%
4 bed House	30.0%	0.0%
1 bed Flat	8.0%	25.0%
2 bed Flat	0.0%	45.0%

Source: AspinallVerdi (September 2020)

⁵⁶ MHCLG, 2019, First Homes: Summary of responses to the consultation and the Government's response

5.20 In our viability testing, we assume that flatted development and mixed development (flatted and housing) will come forward differently to the greenfield development identified earlier. Again, in line with market delivery, we have adopted the mix as set out in Table 5-9, and applied this in our testing.

Table 5-9 Flatted and mixed typology mix used in viability

Typology	Market units flatted	Affordable units flatted	Market units mix housing & flat	Affordable units mix housing & flat
4 bed house	-	-	30%	-
3 bed house	-	-	35%	30%
2 bed flat	77%	33%	27%	45%
1 bed flat	23%	32%	8%	25%

Source: AspinallVerdi (September 2020)

Build-to-Rent typology

5.21 At present, there are no specific requirements or allocations involving build to rent (BTR) properties across Swale Borough to base on testing upon. Therefore, we have based our testing on a generic 150-unit scenario which we would expect the market to deliver based on our experience of similar schemes. From recent consultation with established BTR providers, we understand that a minimum unit threshold required to make BTR schemes viable is 150 units and described by one operator as the 'industry standard' number. Based on our analysis of the market we have tested a BTR scenario as set out in Table 5-10.

Table 5-10 Build to rent accommodation scenarios

No. of units	Development density per net ha	Dwelling mix
150 – brownfield	100	70% 1-Bed / 30% 2-Bed
150 – greenfield	75	70% 1-Bed / 30% 2-Bed

Source: AspinallVerdi (December 2020)

Older persons accommodation typology

5.22 The existing Local Plan is silent on the exact need for retirement housing in the Borough, aside from identifying that there is a need. New build retirement housing in Swale usually takes the form of age-restricted flatted accommodation with shared communal facilities, or C2 use

sheltered housing. Based on the analysis contained in our Property Market Report in Appendix 2 we have tested the scenarios set out in Table 5-11.

Table 5-11 Older persons accommodation scenario

Scenario	Type of specialist accommodation	No. of units	Development density per net ha	Dwelling mix
Single value – brownfield	Over 55 flatted accommodation	50	120	70% 1-Bed & 30% 2-Bed
Single value – greenfield	Over 55 flatted accommodation	50	80	70% 1-Bed & 30% 2-Bed

Source: AspinallVerdi (December 2020)

Holiday park accommodation typology

5.23 The existing Local Plan has specific policies relating to the development of holiday parks in Swale. Planning permission is granted for holiday parks with up to 10 months occupancy per year. The Local Plan identifies that the holiday park is most characterised by chalets and lodges in Swale. The existing Local Plan does not seek to allocate any new sites on the Isle of Sheppey due to landscaping issues. Due to the restrictions on new sites, we have tested one single greenfield scenario to reflect the potential development that would come forward in the new Local Plan.

5.24 Based on the analysis contained in our Property Market Report in Appendix 2 we have tested the scenarios set out in Table 5-12.

Table 5-12 Holiday lodge accommodation scenario

Scenario	No. of units	Development density per net ha	Dwelling mix
Single value – greenfield	25	50	100 % 2-Bed

Source: AspinallVerdi (December 2020)

Non-residential typologies

5.25 With regards to the commercial property, there is less price variation across a local authority with values predominantly driven by the quality of unit, lease length and strength of occupier (i.e. covenant).

Retail typologies

5.26 In determining convenience scenarios, we have had regard to the following occupier requirements:

- Tesco typically only seek sites for their express format i.e. circa 2,200 sqft in main urban areas
- Waitrose stores tend to vary greatly in their format, dependent on the location and size of the site with examples in their portfolio of between 2,500 – 56,000 sqft
- Aldi and Lidl:
 - Prominent sites in town, district, edge of centre or out of town locations
 - Unit sizes flexible on design and scale between 14,000 and 26,500 sqft
 - 1.3 -1.5 acres plus for standalone units or up to 4 acres for mixed-use sites
 - Iceland's requirements for this format is 10 – 15,000 sqft size units located on out-of-town retail parks.

5.27 Based on current occupier requirements we have tested the following scenarios:

- Express – 350 sqm, with 20% site coverage
- Budget – 2,500 sqm, with 35% site coverage

5.28 As set out in our Market Report in Appendix 2 the comparison retail market is in a state of flux with currently limited new store requirement to base our viability testing. Based on general take-up identified in our Market Report in Appendix 2, we have assumed the following scenarios:

- Smaller format – town centre
 - 250 sqm Gross Internal Area (GIA)
 - Site coverage 40%
- Larger format – town centre
 - 500 sqm GIA
 - Site coverage 40%

5.29 All retail scenarios are tested on the basis of brownfield development.

Employment typology

5.30 To reflect the planned employment growth, we have tested office and industrial development as follows:

- Office B1(a)
 - 1,000 sqm GIA – 85% gross to net
 - Site coverage 40%
- Industrial/warehousing
 - B1c/B2 – 200 sqm
 - B2/B8 – 1,000 sqm
 - B2/B8 – 5,000 sqm
 - B8 strategic distribution – 15,000 sqm

5.31 All employment scenarios have a site coverage of 40%, with testing greenfield sites.

6 Appraisal inputs & assumptions

6.1 This section of the report sets out the inputs and assumptions that we have used in the development appraisals. First, we outline the values used across all uses, then build costs and then finally land values.

Value inputs

Residential market value inputs & assumptions

6.2 Based on the analysis contained within Chapter 2 of the Property Market Report in Appendix 2 we have used the sales values set out in Table 6-1. These were informed by a comprehensive analysis of market evidence and are reflective of new build achieved sale values, both on a unit and a £psm basis, in each of the value zones.

6.3 The value data collated demonstrated that prices across the Borough were variable. In line with the recommended approach stipulated in Paragraph 011 of the Viability PPG, we have disregarded any outliers in the data. Furthermore, given the wide range of unit sizes for each typology delivered in the Borough we have not averaged out the values as this could distort the analysis e.g. averaging values on a £psm then applying the average to the unit sizes in the study could result in very high/very low unit prices not seen in the Borough. Through an iterative process, we have considered proposed unit sizes, proposed development densities and sold prices (on a unit basis and £psm) to formulate our opinion of values to use. With our values falling in the range of evidence gathered in the Property Market Report in Appendix 4.

Table 6-1 Market value appraisal inputs

Typology	Unit Size sqm	Unit Price	£psm
Lower value area			
1-bed flat	50	£175,000	£3,500
2-bed flat	60	£210,000	£3,500
2-bed house	70	£240,000	£3,428
3-bed house	90	£330,000	£3,666
4-bed house	120	£430,000	£3,583
Higher value area			
1-bed flat	50	£195,000	£3,900
2-bed flat	60	£235,000	£3,917

Typology	Unit Size sqm	Unit Price	£psm
2-bed house	70	£265,000	£3,786
3-bed house	90	£370,000	£4,111
4-bed house	120	£465,000	£3,875

Source: Property Market Report in Appendix 2 (December 2020)

Affordable housing value inputs & assumptions

- 6.4 A common approach to determining affordable housing values for plan-wide assessments is to apply a transfer value at a fixed percentage of open market value (OMV). This provides certainty to the developer when considering the viability of schemes, but also to Registered Providers (RPs) as it demonstrates the level of offer required to secure the affordable elements.
- 6.5 Our transfer values have been informed through consultations with RPs across the Borough to ensure the percentages are reasonable in the context of recent affordable housing offers. We received the following range of quotes for the different tenures. Our percentage transfer values have been based on the following rates:
- Affordable rent at 45% of market values
 - Shared ownership at 75% of market values
 - First Homes at 70% of market values

BTR value inputs & assumptions

- 6.6 Table 6-2 sets out the value inputs used in our BTR appraisal; this is based on the analysis contained in our Property Market Report (see Appendix 2).

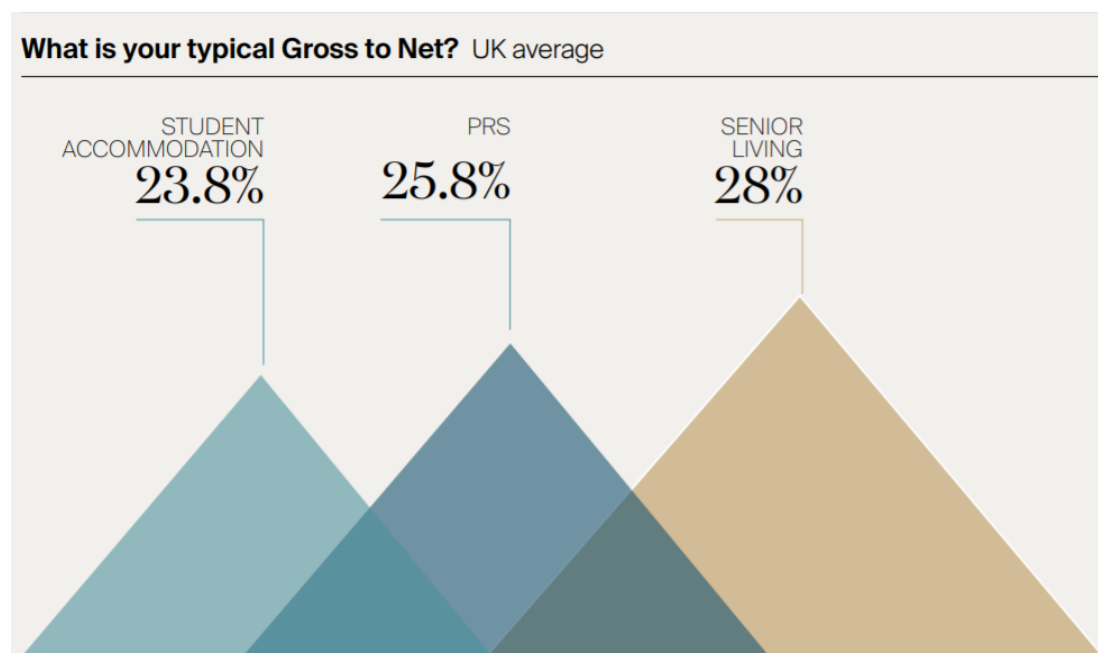
Table 6-2 Build to rent – rent & yield inputs

No. of Beds	Unit Size sqm	Rent / month	Annual Rent	Yield
1	55	£775	£9,300	4.0%
2	70	£900	£10,800	4.0%

Source: Property Market Report in Appendix 2 (December 2020)

- 6.7 In our appraisal, we have assumed 25.8% allowance for management, maintenance and other costs associated with running the business. This is known as 'leakage' and our allowance is based on recent evidence published by Knight Frank – see Figure 6-1.

Figure 6-1 Knight Frank gross to net rent leakage



Source: Knight Frank (2019)

- 6.8 We have adjusted our rents to account for this leakage and then capitalised the net rent by a yield of 4.0% (evidenced in Property Market Report, Appendix 4), as shown in Table 6-3.

Table 6-3 Build to rent capital values

No. of Beds	Annual Rent	Net Rent @ 25.8%	Yield	Capital Value
1	£9,300	£6,900	4.0%	£172,500
2	£10,800	£8,014	4.0%	£200,350

Source: Property Market Report in Appendix 2 (December 2020)

Holiday park accommodation value inputs & assumptions

- 6.9 Table 6-3 sets out the value inputs used in our older persons appraisals; this is based on the analysis contained in our Property Market Report (see Appendix 2).

Table 6-4 Older persons accommodation value inputs

Typology	Unit Size sqm	Unit Price	£psm
2-bed lodge	75	£215,000	£2,867

Source: Property Market Report in Appendix 2 (December 2020)

Older persons accommodation value inputs & assumptions

6.10 Table 6-5 sets out the value inputs used in our older persons appraisals; this is based on the analysis contained in our Property Market Report (see Appendix 2).

Table 6-5 Older persons accommodation value inputs

Typology	Unit Size sqm	Unit Price	£psm
1-bed flat	55	£247,500	£4,500
2-bed flat	70	£330,000	£4,714

Source: Property Market Report in Appendix 2 (December 2020)

Non-residential value inputs & assumptions

6.11 Based on the analysis contained within of our Market Report (Appendix 2) we have used the rents, yield and rent-free/void periods as set out in Table 6-6. The values represent new build accommodation.

Table 6-6 Non-residential rents and yields appraisal inputs

Scenario	GIA sqm	Rent psf	Yield	Rent free/void
Convenience - Express	350	£23	5.00%	9
Convenience - Budget	2,000	£21	4.50%	9
Comparison - Smaller format – town centre	250	£15	9.00%	18 months
Comparison- larger format – town centre	500	£10	8.00%	18 months
Office	1,000	£18	8.00%	12
B1c/B2	200	£10.00	7.50%	9
B2/B8 small	1,000	£9.00	7.00%	9
B2/B8 large	5,000	£7.00	6.50%	9
B2/B8 large	15,000	£7.50	5.50%	12

Source: Property Market Report in Appendix 2 (December 2020)

Build costs inputs & assumptions

- 6.12 When considering costs to include in the appraisals the PPG explains they '*should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage*'.⁵⁷
- 6.13 The PPG lists the following costs to include in the viability assessment:
- *build costs based on appropriate data, for example that of the Building Cost Information Service*
 - *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
 - *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
 - *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
 - *general finance costs including those incurred through loans*
 - *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
 - *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*'.⁵⁸
- 6.14 Based on the guidance set out in the PPG we have used the build costs inputs and assumptions as set in Table 6-7 in our appraisals. Where site specific costs are greater than assumed this will need to be reflected in a reduced land value.

⁵⁷ MHCLG, 24 July 2018, PPG, Paragraph: 012 Reference ID: 10-012-2018072

⁵⁸ Ibid.

Table 6-7 Appraisal build cost inputs & assumptions

Element	Cost	Comment
Residential - build cost – houses	£1,221 psm	<i>'Build costs based on appropriate data for example that of the Building Cost Information Service.'</i> ⁵⁹ Based on Median 'generally' Estate Housing BCIS costs re-based for Swale, 5 year sample. A copy of the BCIS data is enclosed in Appendix 4.
Residential - build cost – flats	£1,371 psm	Based on Median 'generally' Flats BCIS costs re-based for Swale 5 year sample. A copy of the BCIS data is enclosed in Appendix 4.
Sheltered accomodation	£1,371 psm	As above, but different gross to net is reflected in appraisals.
Build cost holiday lodge	£600 psm	Based on research, the cost of Mountain Lodge Homes.
Convenience retail - build costs	£1,510 psm	BCIS Median 'generally' BCIS build costs for hypermarkets and supermarkets, re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
Comparison retail build costs - high street	£1,242 psm	Based on Median 'generally' shops BCIS costs re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
Comparison retail build costs - warehouse	£889 psm	Based on Median 'generally' retail warehouse BCIS costs re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
Office build costs	£1,946 psm	BCIS median build costs 'generally' for offices, re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
B1c/B2 – 200 sqm – build costs	£ 1,286 psm	BCIS Median build costs warehouse/stores 'up to 500 sqm', re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.

⁵⁹ MHCLG, 24 July 2018, PPG, Paragraph: 012 Reference ID: 10-012-20180724

Element	Cost	Comment
B1c/B2 – 1,000 sqm – build costs	£891 psm	BCIS Median build costs warehouse/stores '500 to 2000 sqm, re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
B2/B8 – 5,000 sqm – build costs	£694 psm	BCIS Median build costs warehouse/stores 'Over 2000 sqm GFA (15)re-based to Kent, with the default period in order to ensure a sufficient sample
B8 strategic distribution – 15,000 sqm	£694 psm	BCIS Median build costs warehouse/stores 'Over 2000 sqm GFA (15)re-based to Kent, with the default period in order to ensure a sufficient sample size – details contained in Appendix 4.
External works for services and infrastructure	15% of BCIS	Plot externals will include driveways, gardens, internal estate roads and utilities up to main highway. External works will vary, depending on site requirements. Costs based on industry norms and other schemes coming forward in the Borough.
Site prep/infrastructure	£17,000 per dwelling For strategic sites: £22,000 per dwelling	Costs are in relation to opening up the site, including; site prep, spine road, site servicing, site preparation etc. At this stage we do not know the infrastructure requirements for these sites therefore at this stage we have included a cost allowance, typically associated with strategic sites as a cautionary approach until further details are known. Costs based on strategic infrastructure cost range set out in the Harman Report. ⁶⁰
Site abnormals – applied to brownfield development only	£110,000 per net developable acre	Site abnormals will vary significantly from site to site. We have assumed our allowance includes the cost for demolition and remediation. We have had regard to HCA (now Homes England) guidance on dereliction, demolition and remediation costs March 2015, along with comparable and other schemes coming forward in the Borough.
Statutory Planning Fees (Residential)	Based on national formula.	Based on national formula.

⁶⁰ Local Housing Delivery Group Chaired by Sir John Harman, 20 June 2012, Viability Testing Local Plans, Advice for planning practitioners, page 44

Element	Cost	Comment
Planning Application Professional Fees, Surveys and reports	Calculated as a three times multiplier to national formula above.	Calculated as a three times multiplier to national formula above.
Professional fees	10% of BCIS build cost	Typically ranges between 8% - 12%, based on industry norms and other schemes coming forward in the Borough.
Contingency	5% of BCIS build cost	Typically ranges between 3% - 5%, based on industry norms and other schemes coming forward in the Borough.
Residential - Sale Agents Costs	1.5%	Source: Page 35 Harman report and comparable schemes
Residential - Sale Legal Costs	0.5%	As above.
Residential - Marketing and Promotion	1.5%	As above.
Older Persons - Marketing and Promotion	5% market value	Comparable scheme analysis shows higher costs over 'general needs market housing'. Cost allowance assumed still in line with the Harman report (P.35) but at higher end.
Marketing and Promotion	1.00% GDV	Ditto
Profit on market housing	20.0% on GDV	<i>'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development.'</i> ⁶¹
Profit on affordable housing	6.0% on GDV	<i>'A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and</i>

⁶¹ MHCLG, 05 May 2019, PPG, Paragraph: 018 Reference ID: 10-018-20190509

Element	Cost	Comment
		<i>reduces risk. Alternative figures may also be appropriate for different development types.⁶¹</i>
Profit on retail, office and industrial	20% of build costs	Commercial development is assessed by way of profit on costs and not GDV to reflect the developer who sells the completed scheme onto an investor.
Profit on BTR	13% on GDV	BTR can be assessed on Internal Rate of Return (IRR) basis rather than profit on GDV or cost. The IRR varies greatly from scheme to scheme and developer to developer. As this is assessment is non-developer specific we have used a reasonable benchmark profit assessed on GDV base on other schemes we have recently assessed.
Interest	7.5%	Gross interest inclusive of fees. Industry norms and other schemes coming forward in the Borough.
SDLT on land value	5.0%	Slabbed figure.
Agents fee on land value	1.0%	Industry norms and other schemes coming forward in the Borough.
Legal fee on land value	0.5%	As above.
Letting Agents Costs	10.0% rental value	Based on industry norms and other schemes coming forward in the Borough.
Letting Legal Costs	5.0% rental value	Ditto
Investment Sale Agents Costs	1.0%GDV	Ditto
Investment Sale Legal Costs	0.50% GDV	Ditto
Gross to net of general needs flats	85%	Based on schemes we have analysed previously
Gross to net of BTR	80%	BTR schemes have more communal space than general needs housing. Based on schemes we have analysed previously.

Element	Cost	Comment
Gross to net of elderly accommodation	75%	Due to these types of schemes providing communal facilities the gross to net area ratio is reduced when compared to general needs flatted developments. Based on schemes we have analysed previously this is around 75% compared.

DRAFT

Timescales

6.15 Timescales reflect both the development period and the sales period. These are inputs are reflected in the appraisals through the cashflow.

Residential timescales

6.16 Table 6-8 sets out our timing inputs used in the general needs residential appraisals, the underlying assumptions are as follows:

- **Land payment(s)**
 - Sites up to 240 dwellings size assumed single land payment upfront
 - Sites over 240 dwellings -assumed phased land payments
- **Lead-in period** - represents the time to obtain planning permission.
 - Sites up to 99 dwellings - 12-months to obtain planning permission.
 - Sites 100 – 240 dwellings - 18-months to obtain planning permission.
 - Sites over 240 dwellings - 24-months to obtain planning permission.
- **Site prep/infrastructure** – following granting of planning permission developer will prepare the site and deliver initial infrastructure to open up the site:
 - Sites up to 99 dwellings – 6-months of works and then dwelling build begins. The period is the same number of months as dwelling build but as works commence 6-months prior to dwelling build begins, these work end 6-months before end of dwelling build.
 - Sites 100 dwellings plus - 9-months of works and then dwelling build begins. The period is the same number of months as dwelling build but as works commence 9-months prior to dwelling build begins, these work end 9-months before end of dwelling build.
 - Strategic site 3,500 dwellings - 12-months of works and then dwelling build begins. The period is the same number of months as dwelling build but as works commence 12-months prior to dwelling build begins, these work end 12-months before end of dwelling build.
- **Dwelling build period** – it is assumed developers will build to sale.
- **Sales period** – vary as stated in Table 6-8. All sales commence 9-months after dwelling build period commences.
- **Affordable dwellings disposal period** - it is assumed that the sales of the affordable housing units occur during the build period, in line with how the market operates on a “golden brick” payment basis.

- **Section 106 existing**
 - Sites up to 99 dwellings – paid on the occupation of first dwellings – single payment
 - Sites 100 – 240 dwellings – paid on the occupation of first dwellings – 3-monthly concurrent payments
 - Sites over 240 dwellings – paid on the occupation of first dwellings – 6-monthly concurrent payments
 - Strategic site – paid on the occupation of first dwellings – 48-monthly concurrent payments
- **Section 106 proposed** – timed monthly during dwelling build period as most of these costs will be delivered on-site during this period

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Table 6-8 General needs appraisal timing inputs

Site name	Reference no.	No. of units	Land payment(s)	Lead-in period (obtain p/p)	Site prep/infrastructure	Dwelling build period	Sales period
Greenfield – higher value area							
Land at Cellar Hill	18/010	12	Month 1	Months 2-13	Months 14 – 25	Months 20 – 31	Months 29 – 40 (1 per month)
Land to the east of Claxfield Farm	18/123	15	Month 1	Months 2-13	Months 14 - 25	Months 20 - 31	Months 29 – 40 (1.25 per month)
Land adjacent Monica Close, Neames Forstal	18/093	30	Month 1	Months 2-13	Months 14 - 28	Months 20 - 34	Months 29 – 43 (2 per month)
Land east of Selling Road, Neames Forstal*	18/094	30	Month 1	Months 2-13	Months 14 - 28	Months 20 - 34	Months 29 – 43 (2 per month)
Land east of Selling Road, Neames Forstal	18/096	30	Month 1	Months 2-13	Months 14 - 28	Months 20 - 34	Months 29 – 43 (2 per month)
Land south of Dover Castle Inn / Cellar Hill	18/153	50	Month 1	Months 2-13	Months 14 - 31	Months 20 - 37	Months 29 – 46 (3 per month)
Land south of London Road / West of Lynsted Lane	18/116	60	Month 1	Months 2-13	Months 14 - 33	Months 20 - 39	Months 29 – 48 (3 per month)

Site name	Reference no.	No. of units	Land payment(s)	Lead-in period (obtain p/p)	Site prep/infrastructure	Dwelling build period	Sales period
Land at Preston Fields	18/178	70	Month 1	Months 2-13	Months 14 – 37	Months 20 - 43	Months 29 – 52 (3 per month)
Land at Barrow Green Farm, east Teynham	18/106	100	Month 1	Months 2-19	Months 20 – 52	Months 29 - 61	Months 38 – 70 (3 per month)
Land to the north of Claxfield Farm	18/122	180	Month 1	Months 2-19	Months 20 – 79	Months 29 – 88	Months 38 – 97 (3 per month)
Chilton Manor Farm, Highstead Road	18/021	180	Month 1	Months 2-19	Months 20 – 79	Months 29 – 88	Months 38 – 97 (3 per month)
Land at Graveney Road	18/135	240	Month 1	Months 2-19	Months 20 - 99	Months 29 – 108	Months 38 – 117 (3 per month)
Land at Lady Dane Farm	18/091	600	Month 1 Month 51 Month 101	Months 2-25	Months 26 - 175	Months 35 – 184	Months 44 – 193 (4 per month)
Land west of Frogmal Lane	18/025	630	Month 1 Month 51 Month 101	Months 2-25	Months 26 - 183	Months 35 – 192	Months 44 – 201 (4 per month)
Land south east of Faversham	18/226	2500	Month 1 Month 28 Month 55	Months 2-25	Months 26 - 203	Months 38 – 215	Months 47 – 224 (based on garden communities)

Site name	Reference no.	No. of units	Land payment(s)	Lead-in period (obtain p/p)	Site prep/infrastructure	Dwelling build period	Sales period
			Month 82				
			Month 109				
			Month 136				
			Month 163				
			Month 190				
Greenfield – lower value zone							
Generic typology	n/a	15	Month 1	Months 2-13	Months 14 - 25	Months 20 - 31	Months 29 – 40 (1.25 per month)
Generic typology	n/a	30	Month 1	Months 2-13	Months 14 - 28	Months 20 - 34	Months 29 – 43 (2 per month)
Generic typology	n/a	75	Month 1	Months 2-13	Months 14 – 38	Months 20 - 44	Months 29 – 53 (3 per month)
Brownfield – lower value zone							
Generic typology	n/a	15	Month 1	Months 2-13	Months 14 - 25	Months 20 - 31	Months 29 – 40 (1.25 per month)
Generic typology	n/a	30	Month 1	Months 2-13	Months 14 - 28	Months 20 - 34	Months 29 – 43 (2 per month)
Greenfield/brownfield – lower value zone							

Site name	Reference no.	No. of units	Land payment(s)	Lead-in period (obtain p/p)	Site prep/infrastructure	Dwelling build period	Sales period
Rushenden South		850	Month 1 Month 51 Month 101 Month 151	Months 2-25	Months 26 - 167	Months 35 – 176	Months 44 – 185 (6 per month from x2 outlet)

Source: AspinallVerdi (December 2020)

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BTR timescales

6.17 In our BTR testing, we have assumed that the development would be sold to an investor on practical completion of the units, our timescales are as follows:

- Lead in period: 12 months
- Build period: 24 months
- Sales period: 1 month

Older person timescales

6.18 For older persons housing our disposal timescales have been extended compared to general needs housing to reflect the narrow market that can access these units, with sales commencing on build complete on the units. The timescales are set out in Table 6-9.

Table 6-9 Appraisal timing assumptions

Scenario	Type of specialist accommodation	No. of units	Lead in period	Build period	Sale period
Single value – brownfield	Over 55 flatted accommodation	55	12 months	12 months	18 months (commence at build complete)
Single value – greenfield	Over 55 flatted accommodation	50	12 months	12 months	18 months (commence at build complete)

Source: AspinallVerdi (December 2020)

Non-residential timescales

6.19 Table 6-10 sets out the timescales used in the non-residential testing appraisals. It is assumed the investments of the completed schemes are sold on build complete of the units.

Table 6-10 Employment and retail scenarios timescales

Scenario	GIA sq m	Lead in period	Development period
Convenience retail - Express	350	6 months	9 months
Convenience retail - Budget	2,500	12 months	12 months

Scenario	GIA sq m	Lead in period	Development period
Comparison retail - Smaller format	250	6 months	9 months
Comparison retail - Larger format	500	6 months	9 months
Office	1,000	6 months	12 months
B1c/B2	200	6 months	12 months
B2/B8 small	1,000	6 months	12 months
B2/B8 large	5,000	6 months	12 months
B8	15,000	6 months	12 months

Source: AspinallVerdi (December 2020)

Land value assessment

6.20 As we have set out in Chapter 3 of this report the recommended approach to establishing land value for planning purposes is the EUV plus method. It is therefore important to understand the types of sites coming forward and then make an assessment of values with reference to comparable evidence.

Residential sites – land value assessment

6.21 Table 6-11 shows that the vast majority of residential planned growth will come forward on greenfield sites.

Table 6-11 No. of planned greenfield and brownfield sites

Type of site	No. of sites	Total no. of units
Greenfield sites	18	5,742
Brownfield sites	2	45
Part greenfield/brownfield	1	850

Source: AspinallVerdi (September 2020)

Residential sites – greenfield land value assessment

6.22 We would consider the majority of the sites existing land use to be agricultural, therefore we have undertaken an assessment of sold prices for agricultural land to form the basis of Existing Use Value. Table 6-12 shows that agricultural land has traded across between £6,204 and £11,090

per gross acre (£15,330 and £27,404 per gross hectare). With larger sites of over 74 acres (30 hectares) the achieved price range is narrower and between £6,722 and £7,632 per gross acre (£16,611 and £18,858 per gross hectare).

Table 6-12 Achieved agricultural land values

Sold date	Address	Size acres	Size ha	Description	Sold price per acre	Sold price per hectare
Nov-19	Pleasant Farm, Lenham	315.41	127.64	Buildings comprising four storage barns, grade 2 & 3 arable land with some pasture & woodland	£7,197	£17,784
May-18	Podkin Land, West Side of High Halden, Ashford, TN26 3HS	34.95	14.14	Bare land	£7,153	£17,676
Mar-18	Land at Ewell Minnis	34.77	14.07	Entitlements included	£8,628	£21,321
Nov-17	Land at Hall Place, Leigh	331	133.95	Open market, bare land	£6,722	£16,611
Oct-17	Land at Kemsing	95	38.44	Open market, bare land	£7,632	£18,858
Sep-17	Goose Farm, St. Mary in the Marsh, Kent	48.56	19.65	Bare land	£10,811	£26,716
Dec-17	Land in Rolvenden Layne, Cranbrook, Kent	45.94	18.59	Bare land	£6,204	£15,330
Sep-17	Goose Farm, St. Mary in the Marsh, Kent	33.62	13.61	Bare land	£10,857	£26,828
Mar-17	Part Rookery Farm	30.19	12.22	Single parcel of Grade 1 arable land	£9,937	£24,555
Sep-17	Goose Farm, St. Mary in the Marsh, Kent	25.54	10.34	Bare land	£10,767	£26,607
Dec-17	Land at Rolvenden Layne,	18.73	7.58	Bare land	£8,809	£21,769

Sold date	Address	Size acres	Size ha	Description	Sold price per acre	Sold price per hectare
	Cranbrook, Kent					
Sep-17	Goose Farm, St. Mary in the Marsh, Kent	10.37	4.20	Bare land	£11,090	£27,404

Source: RICS/RAU Farmland Market Directory of Land Prices, H&2 2019, H1 & H2 2018, H1 2017

Residential sites – brownfield land value assessment

There is a wide range of potential brownfield sites that could come forward for development. Table 6-13 shows sold prices for brownfield land across Swale Borough, these are mainly employment sites. There is a lack of recently recorded evidence on property database CoStar, so we have also considered quoting. The analysis of Table 6-13 shows that prices per gross acre range between £271,429 - £1,406,250.

Table 6-13 Brownfield land sold

Address	Existing use	Deal date	Sold or asking price	Gross area ha	Gross area acres	Price per gross ha	Price per gross acre	Comment
Neats Court Retail Park, Queenborough, Kent, ME11 5AR	Retail park	Jan-17	£5,874,856	2.55	6.29	£2,307,912	£933,999	The property is let to seven retailers: Sports Direct, B&M, Iceland, The Original Factory Shop, Pep & Co, Cancer Research and Poundland at a current rental of £851,510 per annum.
Styles Close, Eurolink Business Park, Sittingbourne, ME10 3BF	Industrial	Dec-19	£2,596,600	2.17	5.36	£1,197,052	£484,440	Sold as part of a portfolio to an investor body.
Mainstream House, Bonham Drive, Eurolink Industrial Estate, ME10 3RY	Industrial	Oct-19	£1,800,000	0.52	1.28	£3,474,844	£1,406,250	D1, B1 or B8 use. 1980's building, let on a 10-year term from May 2016 with tenant break 2021. Rent passing is £116,700.
Cambray Works, Sittingbourne, ME9 8QL	Industrial	Jun-17	£950,000	1.42	3.5	£670,700	£271,429	A private UK investor has purchased the freehold interest as an investment. The asking price was £950,000. The 7,245 sqft (673.1 sqm) industrial retail property is let to B.W.May & Sons Ltd for a term to expire 2031 and produces a total annual rental income of £72,000. The sale also includes one acre of vacant land with development potential, as well as a dilapidated flint barn of around 500 sqft.

Source: CoStar (November 2020)

Residential sites – conclusion land value assessment

- 6.23 Table 6-14 represents the greenfield and brownfield land values used in our viability assessment; this is based on our analysis of achieved and quoting land prices, the PPG and the type of development proposed.
- 6.24 Greenfield land values in the higher value zone is based on £100,000 per gross acre (£247,100 per gross hectare). These values represent between 16 and 9 times an existing use value of between £6,204 and £11,090 per gross acre (£15,330 and £27,404 per gross hectare). When compared to sites over 30 hectares, the value represents between 14 and 13 times an existing use value of between £6,722 and £7,632 per gross acre (£16,611 and £18,858 per gross hectare). As outlined in Table 6-12.
- 6.25 Brownfield land values are based on £400,000 per gross acre (£988,400 per gross hectare) benchmark land value, inclusive of a 10% landowner premium.
- As for the Rushenden South site, we have assessed the existing use value of this site as both greenfield and brownfield. According to the agricultural land classification map, the greenfield section of this site is classified as Grade 5; *Land with very severe limitations which restrict use to permanent pasture or rough grazing, except for occasional pioneer forage crops*⁶². In which case, we have applied a lower greenfield existing use value to this site, of £3,000 per acre within our greenfield and brownfield blended land value.
- 6.26 The premiums applied above the existing use values are reasonable given the maximum benefits in the public interest through the granting of planning permission. Should the residual sum exceed the benchmark land value once all abnormal and policies costs are taken account for in the appraisal, then there is scope for the landowner to secure a higher premium and/or the developer a higher profit. Should any site specific assessments incur any additional costs that have not been allowed for in our benchmark land value assessments then these costs we need to be reflected in a reduced land value than that stated in Table 6-14.

Table 6-14 Land value development appraisal inputs

No. of Units	Gross dph	Gross site area ha	Total site value	Land value gross ha	Land value gross acre
Greenfield – higher value zone					
12	24	0.50	£123,550	£247,100	£100,000
15	30	0.50	£123,550	£247,100	£100,000
30	30	1.00	£247,100	£247,100	£100,000
30	43	0.70	£172,395	£247,100	£100,000

⁶² Natural England, 2018, Guide to assessing development proposals on agricultural land

No. of Units	Gross dph	Gross site area ha	Total site value	Land value gross ha	Land value gross acre
30	60	0.50	£123,550	£247,100	£100,000
50	36	1.39	£343,194	£247,100	£100,000
60	10	6.00	£1,482,600	£247,100	£100,000
70	22	3.18	£786,227	£247,100	£100,000
100	13	7.69	£1,900,769	£247,100	£100,000
180	25	7.20	£1,779,120	£247,100	£100,000
180	30	6.00	£1,482,600	£247,100	£100,000
240	29	8.28	£2,044,966	£247,100	£100,000
600	14	42.86	£10,590,000	£247,100	£100,000
630	26	24.23	£5,987,423	£247,100	£100,000
2500	17	147.06	£36,338,235	£247,100	£100,000
Greenfield – lower value zone					
15	30	0.50	£123,550	£247,100	£100,000
30	30	1.00	£247,100	£247,100	£100,000
75	60	2.50	£617,750	£247,100	£100,000
Brownfield – lower value zone					
15	100	0.15	£148,260	£988,400	£400,000
30	60	0.50	£494,200	£988,400	£400,000
Greenfield/brownfield – lower value zone					
850	6	141.67	£33,610,851	£237,253	£96,015

Source: AspinallVerdi (September 2020)

BTR – land value assessment

6.27 It is assumed that BTR will come forward on both brownfield and greenfield sites. Again, we have used the same land value assumptions used for general needs housing as follows:

- Brownfield land value of £988,400 per gross hectare (£400,000 per gross acre).
- Greenfield land value of £247,100 per gross hectare (£100,000 per gross acre).

Older persons accommodation - land value assessment

6.28 It is envisaged that older persons accommodation development will come forward on both brownfield and greenfield sites. We have therefore used the same land value assumptions used for general needs housing as follows:

- Brownfield land value of £988,400 per gross hectare (£400,000 per gross acre).

- Greenfield land value of £247,100 per gross hectare (£100,000 per gross acre).

Holiday park accommodation - land value assessment

6.29 It is envisaged that older persons accommodation development will come forward on both brownfield and greenfield sites. We have therefore used the same land value assumptions used for general needs housing as follows:

- Greenfield land value of £247,100 per gross hectare (£100,000 per gross acre).

Convenience & comparison retail - land value assessment

6.30 It is assumed that convenience and comparison retail will come forward on brownfield sites, and we have used an existing use plus premium land value of £988,400 per gross hectare (£400,000 per gross acre) based on our assessment of land values.

Offices & industrial - land value assessment

6.31 We have assumed that employment uses will predominantly come forward on greenfield sites. We have assumed a greenfield land value of £247,100 per gross hectare (£100,000 per gross acre), again this is based on our assessment of land value in representing a premium above agricultural existing use land values.

7 Viability testing results

7.1 We set out below a summary of our viability findings for all the scenarios tested.

Residential

7.2 Our residential viability testing is set out in Appendix 4. The Council have advised that they wish to understand the available surpluses to fund potential new policies versus changes in affordable housing provision.

Greenfield sites (higher and lower value zone)

7.3 Table 7-1 sets out the results of our viability testing of greenfield sites with affordable housing varying between 30% and 40% with the surpluses expressed as a cost per dwelling. As shown in Table 7-1 the surpluses are wide ranging because the results are sensitive to the changes in the appraisal inputs. Therefore, despite some inputs being “standardised” across scenarios development densities and timescales have an impact on the viability results.

Table 7-1 Greenfield viability results - surpluses

Site name	SHLAA Ref.	Surplus per dwelling @ 30% AH	Surplus per dwelling @ 35% AH	Surplus per dwelling @ 40% AH
Greenfield – higher value zone				
Land at Cellar Hill	18/010	£42,500	£37,500	£32,500
Chilton Manor Farm, Highstead Road	18/021	£34,000	£28,000	£24,000
Land west of Frognal Lane	18/025	£42,000	£36,000	£33,000
Land at Lady Dane Farm	18/091	£27,000	£21,000	£18,000
Land adjacent Monica Close, Neames Forstal	18/093	£48,000	£42,000	£39,000
Land east of Selling Road, Neames Forstal*	18/094	£35,000	£30,000	£25,000
Land east of Selling Road, Neames Forstal	18/096	£45,000	£40,000	£35,000
Land at Barrow Green Farm, east Teynham	18/106	£26,000	£22,000	£18,000

Site name	SHLAA Ref.	Surplus per dwelling @ 30% AH	Surplus per dwelling @ 35% AH	Surplus per dwelling @ 40% AH
Land south of London Road/ west of Lynsted Lane	18/116	£20,000	£16,000	£12,000
Land to the north of Claxfield Farm	18/122	£42,000	£39,000	£33,000
Land to the east of Claxfield Farm	18/123	£40,000	£37,500	£32,500
Land at Graveney Road	18/135	£36,000	£32,000	£26,000
Land south of Dover Castle Inn/ Cellar Hill	18/153	£42,500	£37,500	£35,000
Land at Preston Fields	18/178	£30,000	£26,000	£22,000
Land south east of Faversham	18/226	£21,000	£18,000	£12,000
Greenfield – lower value zone				
15	Generic	£25,000	£22,500	£17,500
30	Generic	£25,000	£22,500	£17,500
75	Generic	£27,500	£22,500	£17,500

Source: AspinallVerdi (December 2020)

Greenfield / brownfield sites (lower value zone)

7.4 Table 7-2 sets out the results of our viability testing of the single proposed site in the lower value zone. Development viability is particularly challenging due to the nature of the site, and to enable viable development affordable housing needs to be reduced.

Table 7-2 Greenfield / brownfield viability results - surpluses

Site name	SHLAA Ref.	Surplus per dwelling @ 10% AH
Greenfield / brownfield – lower value zone		
Rushenden South	18/226	£2,000

Source: AspinallVerdi (December 2020)

Brownfield sites (lower value zone)

7.5 Table 7-3 sets out the results of our viability testing of the generic brownfield sites in the lower value zone. The testing shows that flatted development is currently unviable (15-dwelling scenario) but mixed housing and flatted development is viable (30-dwelling scenario), with surpluses available to fund future policies.

Table 7-3 Brownfield viability results - surpluses

Site name	SHLAA Ref.	Surplus per dwelling @ 30% AH	Surplus per dwelling @ 35% AH	Surplus per dwelling @ 40% AH
Brownfield – lower value zone				
15	Generic	Unviable	Unviable	Unviable
30	Generic	£24,000	£19,500	£13,500

Source: AspinallVerdi (December 2020)

Older persons accommodation

7.6 As with general needs housing the Council wishes to understand the available surpluses to fund potential new policies versus changes in affordable housing provision for older persons accommodation. Our viability testing for older persons accommodation is set out in Appendix 5. Older persons accommodation is less viable than general needs accommodation due to the higher marketing costs and longer sales periods (increases interest costs). Table 7-4 shows greenfield development is viable at lower levels of affordable housing. Brownfield development is only marginally viable at 0% affordable housing, this is due to the higher benchmark land value and the cost of site clearance.

Table 7-4 Older person accommodation - viability testing results

No. of units	Land use	Density dph	Surplus per dwelling @ 15% AH	Surplus per dwelling @ 20% AH
50	Greenfield	80	£3,500	£1,000

Source: AspinallVerdi (December 2020)

BTR accommodation

7.7 Our viability testing for build to rent is set out in Appendix 6. Our results show that build to rent is unviable in the higher value zone, even where affordable housing is reduced. This is due to the weak sales values of flatted development and the sale period after construction.

Holiday park accommodation

7.8 Again, for holiday park accommodation we have set out the available surpluses to fund potential new policies versus changes in affordable housing provision. Our viability testing for holiday park accommodation is set out in Appendix 7. Our results show that holiday park accommodation is viable.

Table 7-5 Holiday park accommodation - viability testing results

Typology	Land use	Units	Surplus per unit at 30% AH	Surplus at 35% AH	Surplus at 40% AH
Holiday park accommodation	Greenfield	20	£14,000	£8,000	£2,000

Source: AspinallVerdi (December 2020)

Retail uses

7.9 Our viability testing results for convenience and comparison retail are set out in Appendix 8. Our results show that convenience retail is viable before any policy costs. The comparison retail uses are unviable which is not surprising given the current uncertainty in the market present.

Table 7-6 Retail - viability testing results

Typology	Land use	Size (sqm)	Max. surplus sum	Max. surplus £ psm
Convenience retail budget	Greenfield	350	£221,949	£600
Convenience retail express	Greenfield	2,500	£1,181,596	£400
Convenience retail budget	Brownfield	350	£47,994	£100
Convenience retail express	Brownfield	2,500	£329,900	£100

Source: AspinallVerdi (December 2020)

Employment uses

7.10 Our viability testing results for industrial and office uses are set out in Appendix 9. Our results show that office and industrial development is currently unviable on a speculative basis with the exception of B8 strategic industrial uses. The testing does not reflect the economics of an owner-occupier solution which may be viable given the individual circumstances of the site and occupier funding/building requirements.

Table 7-7 Employment - viability testing results

Typology	Land use	Size (sqm)	Max. surplus sum	Max. surplus £ psm
B8 strategic distribution	Greenfield	15,000	£447,243	£30

Source: AspinallVerdi (December 2020)

8 Recommendations

Introduction

- 8.1 The following recommendations are based on the evidence set out in this viability report and the objectives set out in the Council's draft Local Plan:

Residential – policy recommendations

- 8.2 In our recommendations for residential development, we have set out a “mix and match” approach depending on the weight the Council wish to give to affordable housing versus other potential future policy asks.
- 8.3 In our mix and match approach, we have sought to utilise all the surplus from the least viable scenario. As shown in our viability results, many scenarios produce much larger surpluses therefore allowing a “viability buffer.”
- 8.4 In our appraisals we have already taken into account existing policy costs contained within the adopted Local Plan; Bearing Fruits and any other known SPD or guidance. The included costs are outlined in Table 8-1. These costs are included in our appraisals and therefore the surpluses outlined above are inclusive of these.

Table 8-1 Policies included in viability testing

Element	Cost
Affordable housing	Viability output
10% biodiversity net gain	£948 per dwelling
Water efficiency - limit water usage to 110 litres/person/day	£9 per dwelling
Air quality assessments	Included in professional fees
SuDs	Included in external allowance / gross to net allowance
Secondary schools	£5,176 per 'applicable' house and, £1,294 per 'applicable' flat
Primary schools	£ variable on local requirements
Social care	£147 per dwelling
Library services	£55 per dwelling
Community learning	£16 per dwelling
Youth services	£66 per dwelling
Waste and recycling	£184 per dwelling
Health care	£360 per occupant

Source: AspinallVerdi (December 2020)

Greenfield (higher and lower value zone)

8.5 The viability results have shown that surpluses available on greenfield sites to fund potential policies are as follows:

- 30% affordable housing - £20,000 - £48,000 per dwelling
- 35% affordable housing – £16,000 – £42,000 per dwelling
- 40% affordable housing - £12,000 - £39,000 per dwelling

8.6 Taking the lowest surplus on a per dwelling basis listed above we have outlined in Table 8-2 a “package” of future policies in addition to those listed in Table 8-1 against a given level of affordable housing. In reality, there are multiple iterations available of the package of policies. Therefore, they should only be seen as a guide and the Council is free to alter the package based on their priorities. Based on our analysis the maximum future package of policies equate to £14,407 per dwelling.

Table 8-2 Potential policy options – funded through greenfield surplus generated

Policy package per dwelling @ 30% AH	Policy package per dwelling @ 35% AH	Policy package per dwelling @ 40% AH
Electric charge - £500 per dwelling	Electric charge - £500 per dwelling	Electric charge - £500 per dwelling
Biodiversity net gain from 10% to 20% - £180 per dwelling	Biodiversity net gain from 10% to 20% - £180 per dwelling	M4 (2) on 100% of total units - £1,400 per dwelling when the cost averaged across all dwellings
M4 (2) on 75% of total units - £1,050 per dwelling when cost averaged across all dwellings	M4 (2) on 90% of total units - £1,260 per dwelling when cost averaged across all dwellings	Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)
M4 (3) on 25% of total units - £2,577 per dwelling when cost averaged across all dwellings	M4 (3) on 10% of total units - £1,037 per dwelling when cost averaged across all dwellings	
Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)	Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)	

Policy package per dwelling @ 30% AH	Policy package per dwelling @ 35% AH	Policy package per dwelling @ 40% AH
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£14,407 per dwelling total	£13,077 per dwelling total	£12,000 per dwelling total
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Source: AspinallVerdi (December 2020)

- 8.7 It is clear from Table 8-2 that the Council's future policy requirements can be met in full at 30% affordable housing, but at 40% affordable housing this becomes more challenging. This is because the total package of policy ask exceeds the least viable scenario tested at 40% affordable housing.
- 8.8 The use of the least viable scenario to measure the surplus available for policy asks is a conservative approach, but by doing so builds in an appropriate viability buffer across the board that can absorb economic and market changes, particularly in times of uncertainty and potentially fund a CIL.

Brownfield (lower value zone)

- 8.9 Brownfield development is identified to come forward in the lower value zone. The viability results have shown that surpluses available to fund potential policies are as follows:
- Housing development (Rushenden) viable 10% affordable housing & £2,000 per dwelling surplus
 - Mixed housing & flatted development is viable:
 - 30% affordable housing – £3,000 per dwelling surplus
 - 20% affordable housing - £13,500 per dwelling surplus
 - 10% affordable housing - £18,000 per dwelling surplus
 - Flatted development is unviable
- 8.10 Again, we outline a policy package in Table 8-3 that could be achieved taking account of the development surpluses that we have outlined in our results above. Again, this is a mix and match approach and we have provided an example that uses the majority of the surpluses that we have identified. For example, at 10% and 20% affordable housing the majority of the full policy asks can be absorbed by the surpluses generated from mixed flatted and housing scenarios, the difference being that only 10% of units can be M4(3) standard at 20% affordable housing, rather than the preferred 25% which the Council has suggested is their evidence-based target.

Table 8-3 Potential policy options – funded through brownfield surplus generated

Rushenden South 10% AH	10% AH mixed housing & flats	20% AH mixed housing & flats	30% AH - mixed housing & flats
Electric charge - £500 per dwelling	Electric charge - £500 per dwelling	Electric charge - £500 per dwelling	Electric charge - £500 per dwelling
M4 (2) on 100% of total units - £1,400 per dwelling when cost averaged across all dwelling	Biodiversity net gain from 10 to 20% - £180 per dwelling	Biodiversity net gain from 10 to 20% - £180 per dwelling	Biodiversity net gain from 10 – 20% - £180 per dwelling
	M4 (2) on 75% of total units - £1,050 per dwelling when cost averaged across all dwellings	M4 (2) on 90% of total units - £1,260 per dwelling when cost averaged across all dwellings	10% reduction in CO2 using fabric installation - £2,100 per dwelling
	M4 (3) on 25% of total units - £2,577 per dwelling when cost averaged across all dwellings	M4 (3) on 10% of total units - £1,037 per dwelling when cost averaged across all dwellings	
	Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)	Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)	
£1,900 per dwelling total	£14,407 per dwelling total	£13,077 per dwelling total	£2,780 per dwelling total

Source: AspinallVerdi (December 2020)

BTR

- 8.11 Build to rent is currently unviable; we recommend that because BTR does not form the bulk of development the Council should not seek anything too onerous in terms of policy. This could help ensure viable development in future.

Older persons accommodation

- 8.12 For older persons accommodation development, we make the following recommendations:
- **Greenfield development** - can support the existing policy costs at 20% affordable housing, with a small surplus of £1,000 per unit to fund any emerging policy asks. We would advise the Council to take a flexible approach with this type of development to ensure that development remains, particularly with affordable housing requirements. For the time being this type of development can not fund any further policy asks than what is already in place.
 - **Brownfield development** – is more marginal than greenfield. Brownfield development can support all the policy costs only when affordable housing is not sought, but there is almost no surplus available for additional policy requirements. We again urge flexibility with this type of development and the affordable housing requirement.
- 8.13 We must highlight that this surplus is not subject to any viability buffer and any changes (i.e., in the market, abnormal costs or land value) would likely absorb this entire surplus.

Holiday park accommodation

- 8.14 The viability results have shown that surpluses available on holiday park accommodation are as follows:
- 30% affordable housing - £14,000 per dwelling
 - 35% affordable housing – £8,000 per dwelling
 - 40% affordable housing - £2,000 per dwelling
- 8.15 Again, we outline a policy package in Table 8-4 that could be achieved taking account of the development surpluses that we have outlined in our results above. Again, this is a mix and match approach and we have provided examples that best use the majority of the surpluses that we have identified. In this assessment, zero carbon can only be achieved when affordable housing is at 30%. Should affordable housing be at 40% then there is little scope to fund a full package of future policy asks. The future policy asks use all of the surplus generated, therefore leaving no viability buffer to absorb future changes in the market. Therefore, we would advise not all of the viability surplus is used and a reduced package of future policies is sought than those listed Table 8-4.

Table 8-4 Potential policy options – funded through surplus generated

Policy package per dwelling @ 30% AH	Policy package per dwelling @ 35% AH	Policy package per dwelling @ 40% AH
Biodiversity net gain from 10% to 20% - £180 per dwelling	Electric charge - £500 per dwelling	Electric charge - £500 per dwelling
M4 (2) on 75% of total units - £1,050 per dwelling when the cost averaged across all dwellings	Biodiversity net gain from 10% to 20% - £180 per dwelling	M4 (2) on 100% of total units - £1,400 per dwelling when the cost averaged across all dwellings
M4 (3) on 25% of total units - £2,577 per dwelling when the cost averaged across all dwellings	M4 (2) on 90% of total units - £1,260 per dwelling when the cost averaged across all dwellings	
Zero regulated carbon - £10,100 per dwelling (could meet renewable targets depending on zero carbon solution)	M4 (3) on 10% of total units - £1,037 per dwelling when the cost averaged across all dwellings	
	48% reduction using PV installation, £4,700 per dwelling	
£13,907 per dwelling total	£7,667 per dwelling total	£1,900 per dwelling total

Source: AspinallVerdi (December 2020)

Retail

8.16 For retail, we make the following recommendations:

- **Convenience retail** – has a development surplus available to support existing policy requirements but this is varied depending on the size of the development and the brownfield or greenfield nature of the site. We recommend the Council takes a flexible site by site approach when determining what policy requirements to seek on these developments.
- **Comparison retail** - development is unviable in the current market and the outlook appears poor; we recommend that the Council should not seek anything too onerous in terms of the policy to help ensure viable development.

Employment

- 8.17 As with comparison retail, office and industrial development are currently unviable except for strategic distribution.
- 8.18 Strategic distribution developments are viable before policy requirements. However, we recommend that the Council should not seek anything too onerous in terms of policy to help encourage this type of development.

CIL recommendations

- 8.19 Based on the surpluses that we have identified; we are able to provide an indication as to which types of development could support a CIL charge in Swale Borough.

Greenfield (higher and lower value zone)

- 8.20 Our findings take any surplus available after applying the policy ask identified in Table 8-2. The difference in remaining surplus after policy asks can then be put toward an indicative CIL charge (after accounting for affordable housing, where CIL is not chargeable). This analysis leads to our results in Table 8-5, which outlines the maximum surplus for CIL across 30%, 35% and 40% affordable greenfield housing scenarios. Guidance advises that not all of the available surplus should be used to allow a sufficient “viability buffer”. There is no set formula to determine a suitable buffer, but we typically see this around 30% - 40%.

Table 8-5 Surplus for CIL – residential development

Affordable housing	30%	35%	40%
Surplus identified	£20,000	£16,000	£12,000
Policy package	£14,407	£13,077	£12,000
Remaining surplus	£5,593	£2,923	£0
Surplus after AH	£7,990	£4,497	£0
Max surplus for CIL psm	£87.80	£49.42	£0.00

Source: AspinallVerdi (December 2020)

Residential development Brownfield (lower value zone)

- 8.21 In performing the same analysis as above, our results for the brownfield sites in Table 8-5 are much lower as expected. The only scenario that supports a reasonable CIL charge is mixed housing and flats at 10% affordable housing, with a maximum surplus of £44 psm.

Table 8-6 Surplus for CIL – residential development

Affordable housing	Rushenden South 10% AH	10% AH mixed housing & flats	20% AH mixed housing & flats	30% AH - mixed housing & flats
Surplus identified	£2,000	£18,000	£13,500	£3,000
Policy package	£1,900	£14,407	£13,077	£2,780
Remaining surplus	£100	£3,593	£423	£220
Surplus after AH	£90	£3,234	£338	£154
Max surplus for CIL psm	£1.22	£43.87	£5.81	£3.45

Source: AspinalVerdi (December 2020)

8.22 The CIL Regulations do not allow to vary CIL charges between greenfield and brownfield land uses but does allow between uses, size or zones. Given that all of the planned growth greenfield development falls in the higher value zone, and the difference in viability between greenfield and brownfield development, we would recommend varying the charges between the higher and lower value zones.

BTR development

8.23 There is no scope the support a CIL charge for this type of development.

Older persons accommodation

8.24 This type of development is marginally viable and therefore there is no scope the support a CIL charge for this type of development.

Holiday park accommodation

8.25 There is scope for a CIL charge on this type of development, the maximum surpluses for a CIL are as follows:

- £225 psm at 30% affordable housing
- £150 psm at 35% affordable housing
- £50 psm at 40% affordable housing

Retail (convenience)

8.26 There is scope for a CIL charge on this type of development, the maximum surpluses for a CIL are as follows:

- Convenience budget: £100 psm
- Convenience express: £125 psm

- 8.27 Again, any CIL charge will require a suitable buffer therefore any proposed rate would be less than the maximum sums stated. The CIL Regulations do allow to vary charges by size but given the maximum surpluses available are broadly similar we would not recommend varying a charge on this basis.

Retail (comparison)

- 8.28 There is no scope to support a CIL charge for this type of development.

Employment

- 8.29 Only strategic distribution can viably support a potential CIL, with a maximum surplus available of £30 psm.

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Appendix 1 – Policy Review

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Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
Strategic Planning Policies			
Policy ST 1 – Delivering sustainable development in Swale	Low	Strategic policy which sets out the need for sustainable development and ensure compliance with the NPPF.	This is a current requirement and it is assumed all planned development we be delivered in a sustainable manner.
Policy ST 2 – Development targets for jobs and homes 2014-2031	Low	<p>Strategic policy which identifies land to meet two key development targets over the plan period:</p> <ol style="list-style-type: none"> 1) 130,000 sqm B class employment floorspace 2) 13,192 (779 dwellings per annum). <p>The Council has committed to review the Local Plan to be adopted by April 2022.</p>	Assume development will be delivered in manner to meet the policy. We have tested a range of scenarios required by the Council that reflect the planned growth in the area and consider the settlement hierarchy.
Policy ST 3 – The Swale settlement strategy	Low	Strategic policy that promotes development in the settlement strategy naming Sittingbourne as the main urban centre and focus for growth, followed by Faversham and Sheerness and other rural centres.	Assume development will be delivered in manner to meet the policy. We have tested a range of scenarios required by the Council that reflect the planned growth in the area and consider the settlement hierarchy.
Policy ST 4 – Meeting the Local Plan development targets	Low	Strategic policy that outlines all allocated sites for housing, referencing the Proposals Map with broad locations and the minimum quantum of housing expected to be delivered on each site.	A range of typologies have been developed to reflect different residential mixes.
Policy ST 5 – The Sittingbourne area strategy	Low	Strategic policy that outlines what development proposals in Sittingbourne will deliver.	A range of typologies have been developed to reflect different residential mixes.
Policy ST 6 – The isle of Sheppey area strategy	Low	Strategic policy that outlines what development proposals on the Isle of Sheppey will deliver.	A range of typologies have been developed to reflect different residential mixes.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
Policy ST 7 – The Faversham and Kent Downs strategy	Low	Strategic policy that outlines what development proposals in the Faversham area and Kent Down will deliver.	A range of typologies have been developed to reflect different residential mixes.
Core Planning Policies			
Policy CP 1 – Building a strong, competitive economy	Low	Core planning policy that outlines how the public, private and voluntary sectors will deliver the economic strategy.	A range of typologies have been developed to reflect different residential mixes. Any site-specific or policy requirements to meet the economic strategy are assumed to be funded through S.106.
Policy CP 2 – Promoting sustainable transport	Medium	Core planning policy that sets expectations surrounding sustainable forms of transport, where development minimises the need to travel for employment. Development will support new transport infrastructure and will integrate walking and cycling routes.	Cost of providing the infrastructure is considered to be delivered through the infrastructure cost allowance made in the appraisal.
Policy CP 3 – Delivering a wide choice of high-quality homes	Medium	Core planning policy that sets expectations surrounding the delivery of a wide choice of high-quality homes that extend opportunities for home ownership and create sustainable, inclusive and mixed communities.	Viability testing considers a range of different typologies and unit mixes. Design requirements are not considered an onerous cost over and above that provided in BCIS.
Policy CP 4 – Requiring good design	Medium	Core planning policy that sets expectations surrounding the of high-quality designs.	As above.
Policy CP 5 – Health and wellbeing	Medium	Core planning policy that sets expectations surrounding the promotion and protection of the health of Swale’s population and to reduce health inequalities.	Cost of providing community services/facilities, open space, sport/recreation, allotments, healthier transport options and health facilities is considered to be delivered through site-specific S.106 and/or CIL as appropriate. Open space will be delivered land through the gross to net developable area.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
			Cost of providing an Environmental Impact Assessments is assumed to be covered within the professional fees.
Policy CP 6 – Community facilities and services to meet local needs	Medium	Core planning policy that sets out the role the Council will play in working with developers and public agencies to identify deficiencies in infrastructure.	Cost of providing the infrastructure is considered to be delivered through site-specific S.106 or CIL.
Policy CP 7 – Conserving and enhancing the natural environment - providing for green infrastructure	Medium	Core planning policy that requires the Council to work with partners and developers to ensure the protection, enhancement and delivery, as appropriate, of the Swale natural assets and green infrastructure network and its associated strategy.	Cost of providing the and enhancing the green infrastructure and biodiversity is considered to be delivered through site-specific S.106 or CIL and the land through the gross to net developable area.
Policy CP 8 – Conserving and enhancing the historic environment	Low	Core planning policy that manages development affecting heritage assets and the preparation of a Heritage Strategy. Development proposals with national planning policy in respect of heritage and any heritage strategy which identified local management strategies and respects conservation areas.	Not considered separately in our testing as assumed that the planned developments do not involve heritage assets.
Development Management Planning Policies			
Policy DM1 – Maintaining and enhancing the vitality and viability of town centres and other areas	Low	Development management policy which sets out the protection of retail and shopping frontages. Any development that results in the loss of these will be resisted.	Not considered separately in our testing.
Policy DM2 – Proposals for main town centre uses	Low	Development management policy which sets out the location of town centres and the retail hierarchy as defined in the Proposals Map.	Viability testing considers a range of different typologies and unit mixes.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
Policy DM3 – The rural economy	Low	Development management policy which sets out how planning permission will be granted for sustainable rural growth and expansion of businesses in the rural area.	Not considered separately in our testing.
Policy DM4 – New holiday parks or extensions to existing parks	Low	Development management policy which sets out how planning permission will be granted for new or existing holiday parks with respect to Holiday Park areas. On the Isle of Sheppey.	Viability testing considers the testing of holiday parks.
Policy DM5 – The occupancy of holiday parks	Low	Development management policy which restricts occupancy of holiday parks to 10 months a year.	As above.
Policy DM6 – Managing transport demand and impact	Low	<p>Development management policy which requires development proposals generating a significant amount of transport movements will be required to support their proposal with the preparation of a Transport Assessment (including a Travel Plan).</p> <p>The Highways Agency may also require a Transport Assessment if development is deemed to impact on the strategic road network.</p>	The cost of Transport Assessments is covered by professional fees.
Policy DM7 – Vehicle parking	Medium	Development management policy which will continue to apply extant Kent County Council vehicle parking standards to new development proposals until the Swale Borough Parking Standards SPD is adopted.	<p>We have reviewed the recently adopted SPD. It is assumed that on-site parking costs will be covered through external costs allowances.</p> <p>Cost of providing electric charge points is considered to be delivered through any viability surplus identified.</p>
Policy DM8 – Affordable housing	Medium	<p>Development management policy outlines affordable housing requirements in Swale Borough. The % rates are as follows:</p> <ul style="list-style-type: none"> • Isle of Sheppey – 0% 	Appraisal tests whether this policy is viable along with sensitivity testing at other affordable housing percentages and tenure mix.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
		<ul style="list-style-type: none"> • Sittingbourne town, urban extensions and Iwade – 10% • Strategic site at NW Sittingbourne – 10% • Faversham town and urban extensions – 35% • All other rural areas – 40% • All areas – 0% affordable older person housing 	
Policy DM9 – Rural exceptions housing	Low	Development management policy which outlines the requirements for affordable housing to meet local needs in rural areas.	Not considered separately in our testing.
Policy DM10 – Gypsy and Traveller sites	Low	Development management policy which outlines the safeguarding of existing and proposed Gypsies and Travellers sites, unless it is demonstrated the site is no longer suitable for such use.	As above.
Policy DM11 – Extensions to, and replacement of, dwellings in the rural area	Low	Development management policy which outlines the requirement when rebuilding or replacing an existing dwelling in the rural areas.	As above.
Policy DM12 – Dwellings for rural workers	Low	Development management policy which outlines the requirements to achieve planning permission for new, permanent, rural worker dwellings in the countryside.	As above.
Policy DM13 – Extending the garden of a dwelling in the rural area	Low	Development management policy which outlines the requirements to achieve planning permission to extend the garden of a dwelling in the rural area or to use land as amenity land.	As above.
Policy DM14 – General development criteria	Medium	Development management policy which requires development proposals to accord	Viability testing considers a range of different typologies and unit mixes that we

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
		with polices in the adopted Development Plan and to include sufficient information to enable to Council to determine the application in conjunction with the Local List of requirements.	assume to be compliant with individual polices within the Development Plan. Advice is provided on whether existing and potentially new policies are viable. Depending on the outturn of the testing the Council may need to revise the policies accordingly.
Policy DM15 – New shopfronts, signs and advertisements	Low	Development management policy which outlines the requirements for development involving shopfronts conserving the character of the affected building.	Not considered separately in our testing.
Policy DM16 – Alterations and extensions	Low	Development management policy which outlines the requirements for development involving alterations and extensions to existing buildings.	As above.
Policy DM17 – Open space, sports and recreation provision	Medium	Development management policy which outlines the requirements for open space, sports pitches and facilities in accordance with national policy. The policy makes provision for open space and sports facilities in terms of site requirements and refers to a need for off-site funding if there is no on site provision.	Open space will be delivered land through the gross to net developable area. Cost of providing the space or facilities will also be delivered through a combination of external works allowance and site-specific S.106 or CIL.
Policy DM18 – Local green spaces	Medium	Development management policy which identifies the location of Local Green Space designations and sets out the requirements when development on these designations is acceptable.	Not considered separately in our testing.
Policy DM19 – Sustainable design and construction	High	Development management policy which outlines that development will need to address and adapt to climate change in accordance with national planning policy and guidance. The policy is prescriptive on some measures employed to achieve this,	Our testing assesses the viability of this policy. Various costs have been identified for different levels of carbon reduction based on the technology used. As this is an emerging policy, the cost of achieving this policy is assessed through the viability surplus generated. Depending on the

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
		including use of materials to increase energy efficiency, promotion of waste reduction, upgrading existing structures, design buildings that are adaptable to change and re-use over time. Demonstrate the network of green infrastructure and biodiversity and the encouragement of mixed-use development.	outcome of the testing, advice is provided on how the policy can viably be implemented.
Policy DM20 – Renewable and low carbon energy	High	Development management policy which requires the development of renewable and low carbon energy sources.	As above.
Policy DM21 – Water, flooding and drainage	High	Development management policy which outlines requirements for development in areas that may be at risk of flooding or increase flood risk elsewhere.	Most sites are not affected by floodrisk. Any surface run-off will be accommodated through SuDs. Where floodrisk is an issue with Rushden then mitigation measures will need to be met through the infrastructure/site prep allowance made. If this is not sufficient then any additional cost will have to be reflected in a reduced land value.
Policy DM22 – The coast	Low	Development management policy which outlines requirements for development at or near to the coast. Includes requirements to maintain, enhance and protect the coast. Also enabling wildlife to adapt to the effects of climate change.	Cost of providing any enhancement, protection of management of the coasts natural assets is considered to be delivered through site-specific S.106 or CIL.
Policy DM23 – Coastal change management	Medium	Development management policy which outlines requirements for development at or near to the coast. Includes requirements to maintain, enhance and protect the coast. Also enabling wildlife to adapt to the effects of climate change.	Not considered separately in our testing as the development coming forward does not infringe upon any of the protected coastal areas with the exception of Rushenden South. Any mitigation measures are to be delivered through site-specific S.106 or CIL.
Policy DM24 – Conserving and	Low	Development management policy which requires the value, character, amenity and tranquillity of the Borough's landscapes to	All measures to deliver this policy are assumed to be covered through general build cost / design allowance.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
enhancing valued landscapes		be protected, enhanced and, where appropriate, managed. Specific areas include: <ul style="list-style-type: none"> • The Kent Downs AONB and areas of High Landscape Value (Kent and Swale Level). • Non-designated landscapes • All others landscapes 	
Policy DM25 – The separation of settlements - Important Local Countryside Gaps	Low	Development management policy which requires character and setting of settlements to be retained and outlined Important Countryside Gaps in the Proposals Map.	Viability testing considers a range of different typologies and unit mixes. Our testing is based on proposed allocations which are assumed to meet this policy.
Policy DM26 – Rural lanes	Low	Development management policy which does not permit planning permission for development that would physically or as a result of traffic levels harm the character of rural lanes.	Not considered separately in our testing.
Policy DM27 – The keeping and grazing of horses	Low	Development management policy which outlines when planning permission will be granted for development involving the use of land for the keeping or grazing of horses.	Not considered separately in our testing.
Policy DM28 – Biodiversity and geological conservation	Medium	Development management policy which outlines proposals will conserve, enhance and extend biodiversity, provide for net gains in biodiversity where possible, minimise any adverse impacts and compensate where impacts cannot be mitigated.	Cost to achieve a 10% biodiversity net gain have been identified and are in our appraisals. The Council has asked us to assess increasing biodiversity net gain to 20%, the additionality would need to be funded through any surplus generated, and advice is provided in the report whether this is possible.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
Policy DM29 – Woodlands, trees and hedges	Low	Development management policy which outlines the need for the Council to seek to ensure the protection, enhancement and sustainable management of woodlands, orchards trees and hedges.	Cost of landscaping or any environmental requirements relating to this policy will be provided through the external cost allowance.
Policy DM30 – Enabling development for landscape and biodiversity enhancement	Low	Development management policy which outlines when proposals can exceptionally come forward that would contravene planning policy that protects the countryside.	Not considered separately in our testing.
Policy DM31 – Agricultural land	Low	Development management policy outlining where development on agricultural land will be permitted when there is an overriding need that cannot be met on land within the built-up area boundaries. Development on the most productive agricultural land will no be permitted unless allocated, there is no alternative suitable site or the development results in the remainder of the agricultural holding not becoming viable or leads to significant losses of high quality agricultural land.	Our testing is based on proposed allocations which are assumed to meet this policy.
Policy DM32 – Development involving listed buildings	Low	Development management policy outlining when the development of listed buildings will be acceptable.	Not considered separately in our testing.
Policy DM33 – Development affecting a conservation area	Low	Development management policy outlining what is required by development that is within, affecting the setting of, or views into and out of a conservation area.	Not considered separately in our testing.
Policy DM34 – Scheduled Monuments and archaeological sites	Low	Development management policy outlining that development will not be permitted	Not considered separately in our testing.

Draft planning policy	Impact on viability	Local plan viability implications	How have these costs been dealt with in the study
		<p>which would adversely affect a Schedule Ancient Monument in the Proposals Map.</p> <p>A balance will be considered for non-designated heritage assets.</p>	
Policy DM35 – Scheduled Monuments and archaeological sites	Low	Development management policy outlining the need to protect registered and non-registered Historic Parks and Gardens and resist development that would adversely affect these assets.	Not considered separately in our testing.
Policy DM36 – Area of high townscape value	Low	Development management policy outlining the need to protect Area of High Townscape Value.	Not considered separately in our testing.

Appendix 2 – Property Market Report

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APPENDIX 2

Draft

Property Market Report

Swale Borough Council



December 2020

Quality Assurance

Date of Report	December 2020
Version	Draft
Filename and path	S:_Client Projects\2005_Swale BC_WPV_Reports\Market report\201218_Market Report_Draft.docx
Prepared by	Lawrence Owho, Consultant Edward Tyler, Consultant
Checked by	Stuart Cook, Director
Date	December 2020
Authorised by	
Date	

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Appendix 2.1 – Residential sale value evidence

1 Introduction

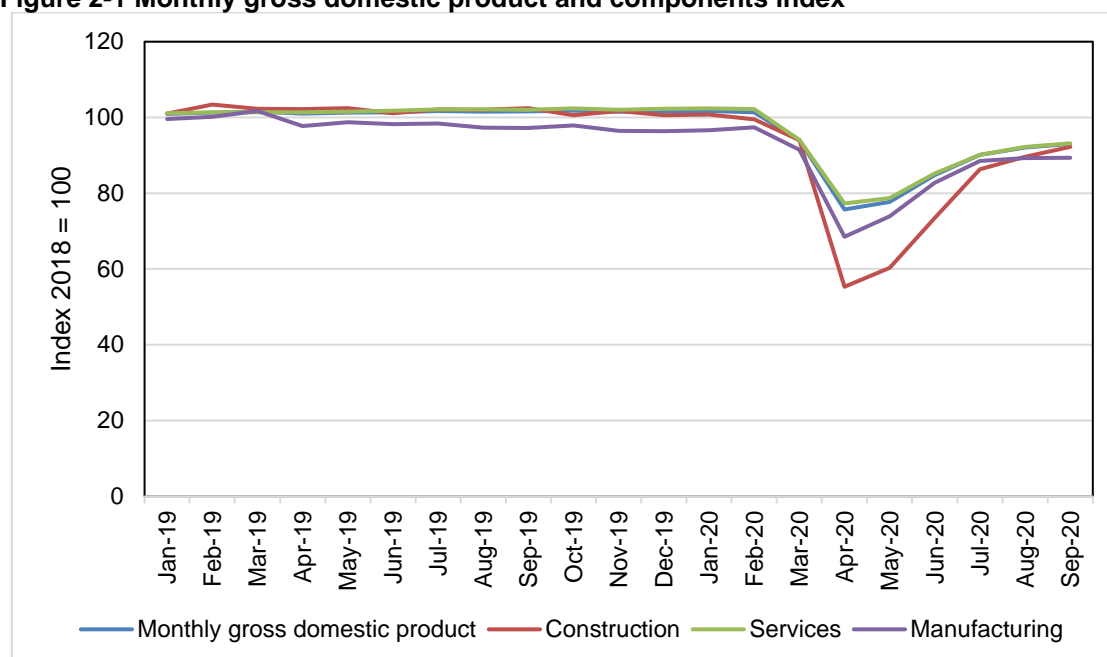
- 1.1 This market report has been used to inform our assumptions for the Swale Borough Council Local Plan viability testing. This report draws on data from recognised published data such as CoStar, Land Registry, Rightmove.co.uk, Primelocation, Zoopla, commercial agent reports, Energy Performance Certificates (EPCs), and the Council planning portal.
- 1.2 Our market assessment considers the following markets:
- General needs residential
 - Older persons accommodation
 - Holiday park accommodation
 - Retail (comparison and convenience)
 - Industrial and Distribution
 - Office

Novel Coronavirus (Covid-19)

- 1.3 The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets. Many countries have implemented travel restrictions. As of 5 November 2020 England, is facing a second national lockdown and an extension to the furlough scheme. Market activity is being impacted in many sectors; however, the exact consequences of the Covid-19 outbreak are unknown and we are faced with an unprecedented set of circumstances on which to base a judgement. There is therefore a higher degree of uncertainty than would normally be the case. We have conducted our market research based on the existing available evidence and our assumptions are based on a ‘business as normal’ approach. The assumptions used may be subject to change and we recommend that the conclusions of this report be kept under review.

Impact on the UK economy

- 1.4 The pandemic has a significant impact on the UK economy, shows that since lockdown the UK economy (gross domestic product (GDP)) has shrank for two consecutive quarters and had entered a technical recession for the first time in 11-years. The recession ended after the third quarter as these was a GDP bounce back as lockdown eased.

Figure 2-1 Monthly gross domestic product and components index

Source: Office for National Statistics

- 1.5 As shown in Figure 2-1, all sectors have been affected by the pandemic through pausing in trading. Of the sectors highlighted, construction suffered the largest fall in monthly GDP comparatively.
- 1.6 The ONS completes the ongoing analysis of the impact of Covid-19 on the economy. As of September 2020, the main points are as follows¹:
- *Monthly gross domestic product (GDP) rose by 1.1% during September 2020 but was 8.2% below February 2020 levels.*
 - *September 2020 saw the fifth consecutive month of growth, but the rate of recovery has slowed each month since the largest rise of 9.1% in June 2020.*
 - *Across services, the monthly growth was driven professional services, education and health, while accommodation and food and beverage service activities declined.*
 - *Of the 51 service industries, 10 had September 2020 output levels that were less than 80% of that recorded in February 2020.*
 - *Within manufacturing, there was widespread growth, but this was largely offset by a fall in the pharmaceutical industry; aircraft production and motor vehicle manufacturing saw respective September 2020 output levels that were 26.2% and 21.1% below those of February 2020.*

¹ ONS, 2020. Coronavirus and the impact on output in the UK economy: September 2020

- *Construction output grew by 2.9% in September 2020, driven by increases in both new work (2.7%) and repair and maintenance (3.4%); this is the fifth consecutive month of growth but the lowest rise in that time.*
 - *Quarter 3 (July to Sept) 2020 saw a rise of 15.5% in GDP following a fall of 19.8% in Quarter 2 (Apr to June) 2020; Quarter 3 GDP was 9.7% below Quarter 4 (Oct to Dec) 2019 levels.*
- 1.7 Future prospects are uncertain and media coverage suggests that there is growing concern that a second recession is likely in 2021. This is dependent on a number of variables, not least the success of recent vaccine rollouts.

Impact on the property market

- 1.8 We are only now seeing some data on the impact coronavirus is having on the property market but not insignificant quantum to draw robust analysis - this is because the market has effectively been held in abeyance and with the time-lag of recording data the full impacts will not be known for several months to come.
- 1.9 Since the easing of the initial lockdown, there was pent up demand in the market. The government also introduced some measures to stimulate the property market, including headline moves such as mortgage holidays, and stamp duty holiday. These measures have been successful in the short term with housing price increases during 2020. But the outlook is less certain after the stamp duty holiday ends and when the foreign investment tax (2% stamp duty levied to foreign buyers of UK property) also comes into force in April 2021. The pressures of Brexit and the full fallout of Covid-19 are yet to be seen. At the time of writing, in October 2020 the average house price in the UK is £245,443, and the index stands at 128.73. Property prices have risen by 0.7% compared to the previous month, and risen by 5.4% compared to the previous year²

Impact on property market assessment

- 1.10 Most of our property market research was undertaken up to July 2020. The initial lockdown in March 2020 was much more impactful on estate agencies. Before finalising this report, we have reviewed our property market data to ensure there have not been any significant swings in local property sales and prices. Through this review, it is clear due to the market effectively being held in abeyance for many months, there is no new data (for new build properties) which provides

² HM Land Registry, 2020, UK House Price Index

evidence support changes to our original analysis based on data collected and analysed up to July 2020.

2 Residential market

Introduction

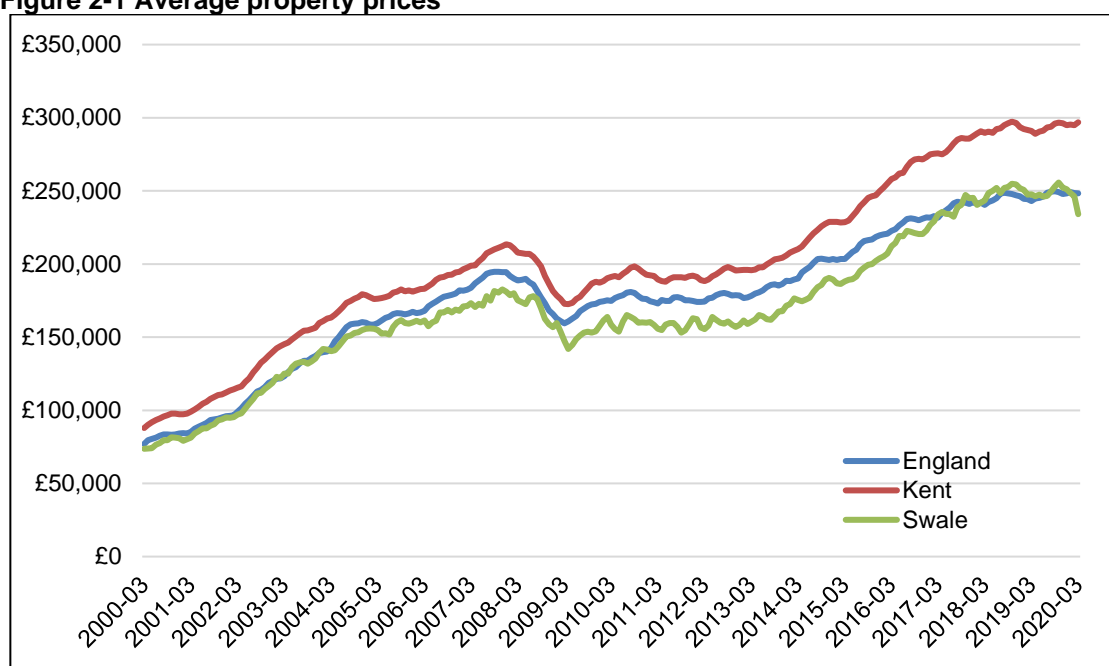
- 2.1 This section deals with the residential market in Swale Borough Council. For context, we firstly provide an overview of market conditions at a national, regional and local scale. We then analyse second-hand sales evidence and new-build development data in terms of achieved and asking prices to ensure the value assumptions and inputs adopted within the financial appraisals are robust.

Residential market overview

- 2.2 Following the global financial crisis, the residential market in England & Wales has generally been in a period of growth. The growth was initially seen in London, which responded to the quickest to the financial crisis. This growth then rippled out to the southeast and regions. But this growth in values has not been spread equally across England & Wales. Those regions that have performed well are located within an hour's commute to London, commonly known as the 'golden hour' for commuters. As London has faced affordability issues, those locations within an hour commute have become more attractive as they often better value money for those wishing to buy, or upsize.
- 2.3 In more recent years, the market has become more unstable due to; changes in Stamp Duty Land Tax (SDLT), the referendum vote to the leave the European Union (EU), and the subsequent negotiations, and the General Election which led to the Conservative party having a reduced majority. Uncertainty is set to continue with the impact of coronavirus and fears of a "hard Brexit" now becoming reality.

Average property prices

- 2.4 Figure 2-1 shows the average property prices (new and re-sales) for England, Kent and Swale Borough.
- 2.5 Since 2009, the England average price has increased by around 55%, from £159,000 to £247,000. In the same period, prices across Kent have grown at a higher rate of 72%, from a higher average price; the difference in average prices in Kent and England is currently around £46,000 (or 18%). The average prices in Swale are lower than the average prices in England and Kent and this has been further widened by the Covid-19 crisis as prices dropped by 7% between December 2019 and March 2020. Compared to Kent, average prices are currently 20% lower, at £234,096.

Figure 2-1 Average property prices

Source: Land Registry, accessed July 2020

Kent average property prices

- 2.6 Table 2-1 shows average property prices for Kent, split by typology. The analysis shows that the difference between the average unit price for detached and semi-detached is significant at around £200,000 (or 62%) this is despite the difference in £ psf being only 4% - this would indicate that the average size of a detached property is relatively large compared to semi-detached. The remaining typologies all rise on a £ psf basis from detached to flats, demonstrating that generally, the smaller properties are more expensive.

Table 2-1 Property values by type, Kent

Property type	Avg. current value	Avg. £ per sq ft.	Avg. # beds	Avg. £ paid (last 12m)
Detached	£520,039	£335	3.6	£511,507
Semi-detached	£320,381	£320	3.1	£344,120
Terraced	£248,854	£301	2.8	£274,451
Flats	£194,223	£302	1.8	£201,593

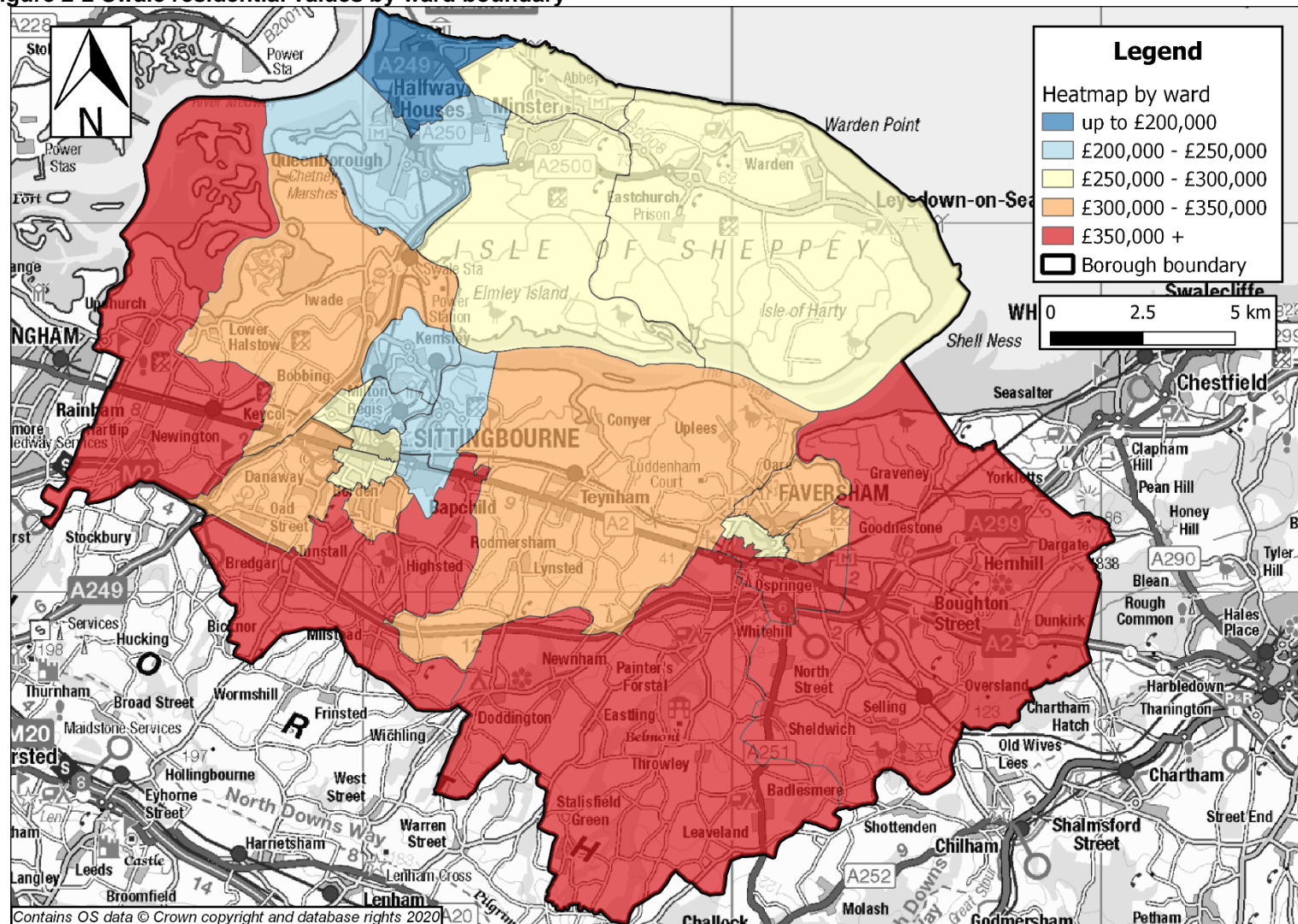
Source: Zoopla, accessed July 2020

Swale overview

- 2.7 Analysis has been undertaken of Land Registry data of sold prices for re-sales on a price per unit basis over the last two years across Swale Borough.

- 2.8 The map in Figure 2-2 shows property prices grouped in value bands analysed against ward boundaries. The analysis shows higher values on a price per unit basis are located in rural areas or Faversham. The lowest value area is in Sheerness on the Ilse of Sheppey, with the centre of Sittingbourne also lower value.

Figure 2-2 Swale residential values by ward boundary

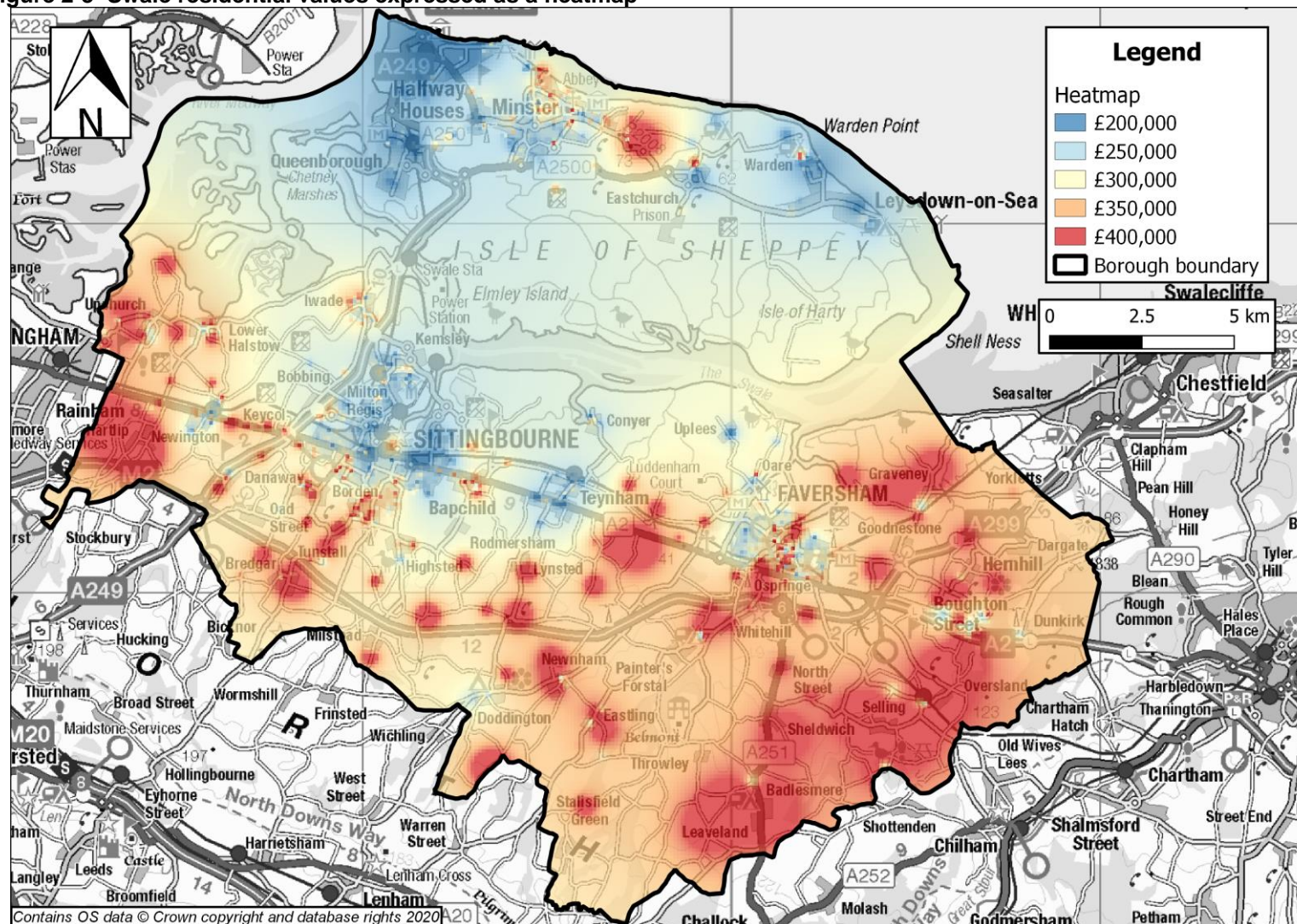


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Source: Land Registry Sale Value data, Basemap Ordnance Survey online (August 2020)

- 2.9 The map in Figure 2-3 is the same Land Registry data expressed a 'heatmap.' The data is not 'fixed' against ward boundary boundaries thus allowing for finer grain analysis of the areas of higher, mid and lower values. The red/orange colours represent higher average prices and the blue colours represent the lower values. The analysis shows an emphasis on the lower values on the isle of Sheppey concentrated on Sheerness. Sittingbourne is also lower value when compared to rural areas. Faversham is a generally higher value than the other major settlements in the Borough. The south-east of the Borough, around Selling, Leaveland and Baldesmere have the highest values with the area. There is also a pocket of higher value in the west of the Borough on the Borough boundary around Rainham.

Figure 2-3 Swale residential values expressed as a heatmap



Source: Land Registry Sale Value data, Basemap Ordnance Survey online (August 2020)

New build sale prices

- 2.10 New build sale values have been analysed using Land Registry Data, this data has been analysed on a £ psm basis through cross-referencing with EPC data. The EPC certificate data provides evidence of the unit sizes but does not record the number of bedrooms per property. Evidence of the number of beds has been taken from the Council’s planning portal, Rightmove, Zoopla and Prime Location; although, it has not been possible to reconcile all property types. Where the number of beds for the property is known, this has been recorded. Where the number of beds is not known this has been left ‘blank’ in our analysis. The tables of the new build sold prices summarise sale values for each typology and number of beds. We also display tables including all properties sold for the unit typology – this includes those where the number of beds is not known i.e. total sales per typology. The data covers approximately two years of sales (July 2018 – July 2020), the full analysis is contained in Appendix 3.1.
- 2.11 There is a reasonable amount of transactional data to analyse through overall there appears to be a larger variety of schemes currently being marketed that have recently transacted.

Faversham

- 2.12 Table 2-2 shows new build sold prices for the development of Tylman Place, to the east of Faversham. The development consisted of 1, 2, 3 and 4-bedroom flats and houses and was built by Bellway Homes. Sale prices in each type of unit are reasonable consisted apart from 3-bed semi-detached which vary significantly both on a per unit and a £psm basis.

Table 2-2 Analysis of new build sold prices – Tylman Place

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Flat	1	2	51	£180,000	£185,995	£3,529	£3,647
Flat	2	9	72	£209,995	£214,995	£2,917	£3,028
Semi Detached	3	14	92	£311,995	£375,000	£3,391	£4,213
Terraced	3	3	92	£334,995	£342,995	£3,641	£3,696
Semi Detached	4	4	117	£375,000	£424,995	£3,346	£3,632
Detached	4	2	113	£379,995	£448,995	£3,585	£3,742

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

Sittingbourne

- 2.13 Table 2-3 shows new build sold prices for Mill Place, a development by located in Sittingbourne. It is an Abbey New Homes development and has delivered a mix of 1, 2 3, and 4-bedroom

properties. The new build sold prices show that there is a narrow price range on a psm basis and a unit price basis due to units being similar in size and all terraced.

Table 2-3 Analysis of new build sold prices – Mill Place

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Flat	1	5	46	£154,995	£160,000	£3,229	£3,636
Flat	2	15	62	£185,000	£192,500	£2,891	£3,115
Terraced	2	9	61	£225,000	£235,495	£3,689	£3,861
Terraced	3	24	82	£245,000	£279,995	£2,917	£3,480
Terraced	4	8	120	£295,000	£334,995	£2,418	£2,839

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

- 2.14 Table 2-4 shows new build sold prices for the Regent Quay development at Crown Quay Lane, Sittingbourne. It is a Redrow development that consists of 3 and 4 bedroom detached and semi-detached properties. Analysis of new build sold prices were again tight due to the type and size of dwellings delivered. Values were notably higher on a psm basis for than the terraced properties at Mill Place.

Table 2-4 Analysis of new build sold prices – Regent Quay

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Terraced	4	13	120	£359,995	£429,995	£2,835	£4,038
Semi Detached	3	10	91	£329,995	£399,995	£3,434	£4,444
Semi Detached	4	4	119	£329,995	£344,995	£2,638	£3,063
Detached	3	1	104	£334,995	£334,995	£3,221	£3,221
Detached	4	4	119	£334,995	£337,495	£2,657	£3,018

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

- 2.15 Table 2-5 shows new build sold prices for the Watling Place development to the west of Sittingbourne close to Newington. This Persimmon Homes development delivered a mix of 2, 3 and 4-bedroom properties. The analysis shows that the small 2 bed terraced properties achieved the highest £ psm – though the units appear smaller than average. The larger 4-bedroom units achieved the lowest price on a psm basis.

Table 2-5 Analysis of new build sold prices – Watling Place

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Terraced	2	8	52	£214,950	£289,950	£4,202	£4,519

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Semi Detached	3	3	86	£299,950	£300,000	£3,488	£3,488
Semi Detached	4	1	108	£360,000	£360,000	£3,333	£3,333
Detached	3	3	90	£359,950	£362,950	£3,966	£4,044
Detached	4	3	108	£354,950	£422,950	£3,349	£3,962

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

Isle of Sheppey

- 2.16 Table 2-6 shows new build sold prices for Kingsborough Manor, a development on the Isle of Sheppey between Minster on Sea and East Church. This Jones Homes development focused on larger executive style homes containing a mix of 4 and 5 bed detached properties. Due to the size nature of the unit types these properties have achieved some of the highest sold prices in the area with all recent transactions over £515,000.

Table 2-6 Analysis of new build sold prices – Kingsborough Manor

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Detached	4	6	157	£515,000	£600,000	£3,065	£4,412
Detached	5	5	189	£575,000	£650,000	£3,042	£3,439

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

- 2.17 Table 2-7 shows new build sold prices for development Nelson Vue in Queenborough on the south-west corner of the Isle of Sheppey. This development was delivered by Keepmoat Homes. The data in Table 2-7 shows that property prices appear lower than others considered in Swale.

Table 2-7 Analysis of new build sold prices – Nelson Vue

Typology	No. of beds	Number of sales	Average size Sqm	Sold value min	Sold value max	£psm Min	£ psm Max
Terraced	3	2	77	£229,500	£240,000	£3,000	£3,144
Detached	3	2	80	£260,000	£262,500	£2,917	£3,028
Semi Detached	2	8	63	£200,000	£205,000	£3,175	£3,254
Detached	4	3	94	£265,000	£269,500	£2,819	£2,867
Semi Detached	3	16	71	£227,500	£255,000	£3,125	£3,536
Semi Detached	4	6	97	£252,500	£275,000	£2,573	£2,926

Source: Land Registry, Swale Borough Council planning portal, accessed July 2020

New build quoting prices

- 2.18 Comparable analysis of new build available properties has been undertaken to gain an understanding of the location of new build schemes and their quoting prices – this is set out in Table 2-8. There is a relatively large volume of new build housing schemes currently on the market.
- 2.19 The analysis of quoting prices shows that there is are no 1 bedroom and a few 2 bedrooms new build units currently being advertised in the area. The 2-bed flats are between £213,000 and £315,000. The 3-bed properties in the range between £310,000 and £475,000, 4-bed properties range between £368,950 and £750,000 and 5-bed properties range between £469,950 and £750,000. Generally, there is a range of volume and local housebuilders active in the area.

Table 2-8 New build quoting prices

Address	Developer	Typology	Quoting prices
Faversham			
Kingsmead, Love Lane, Faversham, ME13 8BJ	Crest Nicholson	A development of 2, 3 and 4- bedroom properties	2 bedroom semi: £315,000
			3 bedroom detached: £387,000 - £410,000
			4 bedroom detached: £420,000 - £505,000
Tylman Place, Graveney Road, Faversham, Kent, ME13 8UJ	Bellway Homes	A development of 1, 2, 3 and 4-bedroom properties	2 bedroom flat: £214,995
			3 bedroom semi: £339,995 - £344,995
			4 bedroom semi: £369,995 - £399,995
Perry Court, Brogdale Road, Ospringe, ME13	David Wilson	A development of 3 and 4-bedroom properties	4 bedroom detached: £430,000 - £454,995
			3 bedroom terraced: £351,995 – £354,995
			3 bedroom detached: £354,995 – £394,995
Davington Fields, Western Link Road, Faversham, ME13 7WB	Bovis Homes	A development of 2,3 and 4-bedroom properties	4 bedroom detached: £489,995 - £559,995
			3 bedroom semi: £319,995
			3 bedroom detached: £369,995

Address	Developer	Typology	Quoting prices
			4 bedroom detached: £434,995 - £454,995
Faversham Lakes, Faversham, Kent	Anderson	A development of 2, 3, 4 and 5-bedroom properties	2 bedroom semi: £287,000 3 bedroom semi: £365,000 – £377,000 3 bedroom detached: £365,000 – £395,000 4 bedroom detached: £610,000 5 bedroom detached: £710,000
The Old School Field, London Road, Dunkirk	Woodchurch Homes	A development of 3 bedroom properties	3 bedroom semi: £385,000 – £400,000 3 bedroom detached: £475,000
Sittingbourne			
Thornhill Gardens, Bapchild, Sittingbourne, ME9 9BF	Fernfield Homes	A development of 4 and 5-bedroom properties	4 bedroom terraced: £410,000 4 bedroom semi: £600,000 4 bedroom detached: £750,000 5 bedroom detached: £850,000
Regent Quay, Crown Quay Lane, Sittingbourne, ME10	Redrow	A development of 3 and 4-bedroom properties	2 bedroom flat: £212,995 3 bedroom end terraced: £389,995 4 bedroom end terraced: £394,995 4 bedroom terraced: £384,995
Davington Fields, Western Link Road, Faversham, ME13 7WB	Bovis Homes	A development of 2,3 and 4-bedroom properties	3 bedroom semi: £319,995 3 bedroom detached: £369,995

Address	Developer	Typology	Quoting prices
			4 bedroom detached: £434,995 - £454,995
Watling Place, High Street, Newington, ME9	Persimmon Homes	A development of 3, 4 and 5-bedroom properties	3 bedroom semi: £311,950 3 bedroom detached: £359,950 - £364,950 4 bedroom semi: £368,950 5 bedroom detached: £479,950
Sheppey Way, Iwade, Sittingbourne	-	A development of 3 and 4-bedroom properties	3 bedroom semi: £325,000 - £335,000 4 bedroom detached: £475,000
High Oaks, Newington, Kent	Ashbyrne Homes	A development of 5- bedroom properties	5 bedroom detached: £750,000
Isle of Sheppey			
Belgrave Place, Minster-on-Sea, Belgrave Road, Minster On Sea, Sheerness, ME12	Keepmoat Homes	A development of 2,3 and 4-bedroom properties	3 bedroom semi: £310,000 4 bedroom detached: £336,000
Leysdown, Sheerness	-	A development of 2- bedroom properties	2 bedroom bungalow: £200,000
KingsBorough Manor, Hustlings Drive Eastchurch Isley of Sheppey ME12	Jones Homes	A development of 4 and 5-bedroom properties	4 bedroom detached: £625,000

Source: Developer websites, Rightmove, accessed July 2020, AspinallVerdi

Residential agent consultation

2.20 Telephone consultations have been undertaken with local estates agents active across the Borough, to supplement the desk-based research. We have chosen to target agents based in Sittingbourne, Faversham, and the Isle of Sheppey due to their status as key areas for development identified in the Local Plan. Below are the summarised responses:

- Agents stated that prices in Sittingbourne and the Isle of Sheppey are similar, although Sittingbourne is considered more desirable for many prospective buyers.

- Faversham is the highest value town in the Borough with good amounts of development occurring in recent years.
- It is currently a buyers' market and houses are significantly in demand than houses in the Borough
- While the Covid-19 pandemic affected the market in its early months, the market has since bounced back in part due to the government's stamp duty regulations.

2.21 Agents gave a broad indication of what values they could achieve for new build properties across the Swale area. In some cases, these bandings are large as there is a geographical variation over the area. Some specific developments may exceed the higher banding but the bulk of new development is within the range.

Table 2-9 Proposed sale prices across Swale Borough

Address	Typology	Agents quoting unit prices
Sittingbourne	2 bed flatted	£200,000 - £215,000
	2 bed terraced	£210,000 - £230,000
	2 bed semi-detached	£230,000 - £250,000
	3 bed semi-detached	£320,000 - £350,000
	3 bed detached	£330,000+
	4 bed detached	£375,000+
Faversham	2 bed flatted	£215,000 - £240,000
	2 bed semi-detached	£270,000 - £300,000
	3 bed semi-detached	£350,000 - £375,000
	3 bed detached	£380,000+
	4 bed detached	£450,000+
Isle of Sheppey	2 bed terraced	£200,000 - £220,000
	2 bed semi-detached	£210,000 - £230,000
	3 bed terraced	£260,000 - £300,000
	3 bed semi-detached	£25,000 - £320,000
	4 bed detached	£350,000+

Source: Residential agents Swale, November 2020

Residential Market Conclusion

Conclusion

- 2.22 In conclusion, there appears to be a diverse market in terms of values in Swale with the highest values being achieved in rural areas on the mainland, particularly around Faversham. This being said the Jones Homes development near Minster on Sea, Isle of Sheppey is high value due to the executive nature of the housing. This appears to be more of a one-off development and is not likely to be similar to the bulk of development coming forward in Sheppey in the Future. Sittingbourne is also lower value though the difference in new build sale price data is not as extreme as the maps (which include second hand data) in Figure 2-2 and Figure 2-3 suggest.
- 2.23 We have found that there is a lack of data for flatted sales. Two new build schemes have delivered flatted development in the Borough. These are Tylman Place in Faversham (higher value area) and Mill Place in Sittingbourne (lower value area). The evidence at Tylman Place shows lower sales values for flatted units on a £ psm basis when compared to other housing types, this is unusual. However, this evidence is at the lower range of our agent consultation findings. So, for the higher value zone, we have placed weight on both the evidence available and our agent consultation in reaching our sale values. As for the 1-bed units across both value zones, there does not appear to be any difference between the two in our sales analysis. For that reason we have adopted the same sale price for 1-bed flats across both value zones. It is difficult to distinguish in such detail due to the lack of data.
- 2.24 Moreover, based on the evidence available, 2-bed houses are generally less expensive on a psm basis than 3-bed homes. This goes against our usual expectations where smaller properties have a higher sale value on a psm basis. In this instance, we have followed the evidence available as appropriate but are aware of this element.
- 2.25 Based on our market analysis of sold prices, quoting prices and consultations with local estates agent we propose to test two value zones using the values set out in Table 2-10 with the zones defined in Figure 2-4.

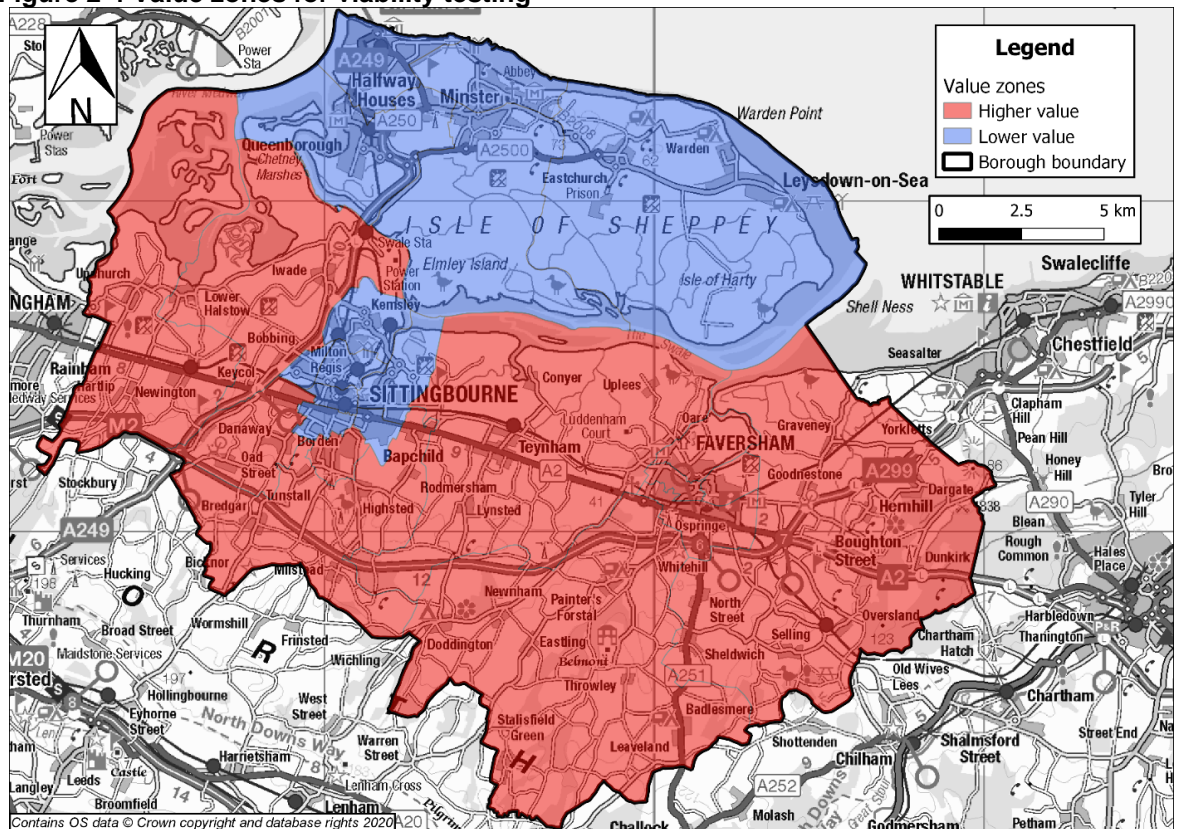
Table 2-10 Proposed housing development - sale prices

Typology	Unit size	unit price	£psm
Lower value area			
1-bed flat	50	£180,000	£3,600
2-bed flat	60	£200,000	£3,333
2 bed house	70	£240,000	£3,429
3 bed house	90	£330,000	£3,667

Typology	Unit size	unit price	£psm
4 bed house	120	£430,000	£3,583
Higher value area			
1-bed flat	50	£180,000	£3,600
2-bed flat	60	£215,000	£3,583
2 bed house	70	£270,000	£3,857
3 bed house	90	£360,000	£4,000
4 bed house	120	£465,000	£3,875

Source: AspinallVerdi

Figure 2-4 Value zones for viability testing



3 Build to Rent market assessment

Introduction

- 3.1 As households have been priced out of being able to purchase homes, residents have been forced into the private rental sector. In a bid to raise accommodation standards and reduce the number of rogue landlords the government has been seeking to encourage investors/developers to deliver Build to Rent (BTR) housing. The Government in 2012 launched the BTR Fund to deliver schemes by offering finance/grants. Many benefits have been identified in relation to the BTR model, such as the provision of higher quality management other than an individual private landlord; tenants are offered longer tenancies on more favourable terms and higher-standard amenities are often provided, such as on-site gyms, communal lounges and cinema rooms.
- 3.2 Savills report that since 2013 the sector has expanded rapidly, with over 30,000 homes completed and a further 110,000 planned which are to be built, let and managed by professional investors as homes to rent. Investment in BTR totalled £2.6bn in 2018 – an 11% increase from 2017 and the highest level since 2014³.

Market rents overview

- 3.3 The UK rental market has performed inconsistently over the past few years. There has been a broad slowdown in the UK annual growth rate in the period between 2016 – 2018⁴, however recent reports are generally showing growth in rental prices across the country. The Office of National Statistics⁵ report that:
- Private rental prices paid by tenants in the UK rose by 1.4% in the 12 months to November 2020, unchanged since October 2020.
 - Private rental prices grew by 1.4% in England, 1.6% in Wales and 0.6% in Scotland in the 12 months to November 2020.
 - The South West was the English region to see the highest annual growth in private rental prices (2.3%), while the South East saw the lowest (0.9%).
- 3.4 The November 2019 RICS Residential Market Survey reported that landlord instructions are falling. Near term rental growth expectations remain slightly positive, with most parts of the UK anticipated to see an increase. As an exception, for the third consecutive month London respondents expect rents to fall over the coming three months.

³ Savills, 2019. Build to Rent

⁴ ONS, 2019. Index of Private Housing Rental Prices.

⁵ Office for National Statistics, 2020. Index of Private Housing Rental Prices, UK. November 2020.

Naturally, the BTR sector is exposed to the impacts of Covid-19, as any other industry might. However, a market report in October 2020⁶ has shown that the BTR sector is one of the most resilient managed real estate sectors with rent collection averaging 94.1% in September; an attractive proposition to investors. Nonetheless, the number of mortgage products, particularly with high LTV ratios have fallen dramatically for this type of product since March. As with many other sectors, the future is uncertain.

Swale BTR market

Achieved rents

- 3.5 Table 3-1 shows achieved monthly rents for new and second-hand properties across Swale from October 2019 to September 2020.

Table 3-1 – Swale Borough Achieved Monthly Rents

Type	Sample	Mean	Lower Quartile	Median	Upper Quartile
Studio	20	£541	£485	£550	£595
1-Bed	160	£659	£600	£650	£750
2-Bed	370	£795	£725	£795	£850
3-Bed	310	£944	£850	£900	£1,015
4 or more Bed	60	£1,291	£1,100	£1,300	£1,400

Source: ONS, accessed December 2020

- 3.6 The data shows that the difference in median monthly rents increases in conjunction with the size of the property. The largest difference is between 3- and 4 or more-bedroom properties, of £400 pcm.

Asking rents

- 3.7 Due to a lack of BTR development, we have not been able to find any evidence of asking rents in Swale. Of the flats that are available to let, these do not share any likeness to BTR specification. We have looked further afield to Maidstone and Ashford where there are units listed which are closer in specification to BTR. Though there are units in Canterbury, these are mostly aimed at students and not considered comparable. Table 3-2 shows the current quoting rents for these units.

⁶ Knight Frank, 2020, Build to Rent Monthly Market Update - October 2020

Table 3-2 – Current Listing Rents by type

Location	Type	Size	Quoting Rent
Victoria Point, Ashford	1-Bed	52 sqm (561 sq ft)	£800 - £895
	2-Bed	70 sqm (753 sq ft)	£1,050 - £1,100
McKenzie Court, Maidstone	1-bed	n/a	£825
	2-bed	n/a	£900

Source: Rightmove, accessed December 2020

- 3.8 Current asking rents for flatted accommodation with specifications akin to build to rent properties range from £800 - £895 pcm for a 1 bed and £900 - £1,100 for a 2 bed. The asking rents shown in Table 3-2 are higher per unit type than the median rents recorded from the VOA data for Swale in Table 3-1. We accept that this is likely due to the fact that the quoting rents in Table 3-2 are located in higher value areas than Swale.

BTR Yields

- 3.9 There is no evidence of yields in Swale for BTR, we have therefore reviewed evidence from market reports and forecasts for build to rent yields - see Table 3-3.

Table 3-3 – Build to rent yields

Source	Net Yield
Bidwells ⁷	3.14%
Knight Frank ⁸	4.00% - 4.25%
CBRE ⁹	3.75%
KentReliance ¹⁰	4.10%

Sources: Knight Frank, Bidwells, KentReliance & CBRE, accessed August 2020

Conclusion

- 3.10 Based on the above evidence we have proposed to test the following:

- 1-Bed: £775 pcm (£9,300 pa)
- 2-Bed: £900 pcm (£10,800 pa)
- Net Yield: 4.0%

⁷ Bidwells, 2019. Our View on Build To Rent. Cambridge yield.

⁸ Knight Frank, 2019. Residential Yield Guide December 2019. South East Prime (NIY).

⁹ CBRE, 2020. United Kingdom Residential Investment Marketview Q2 2020. Outer London/ South East prime yields.

¹⁰ KentReliance, 2019. Buy to Let Britain Report. Average yield for the east region.

4 Older person accommodation

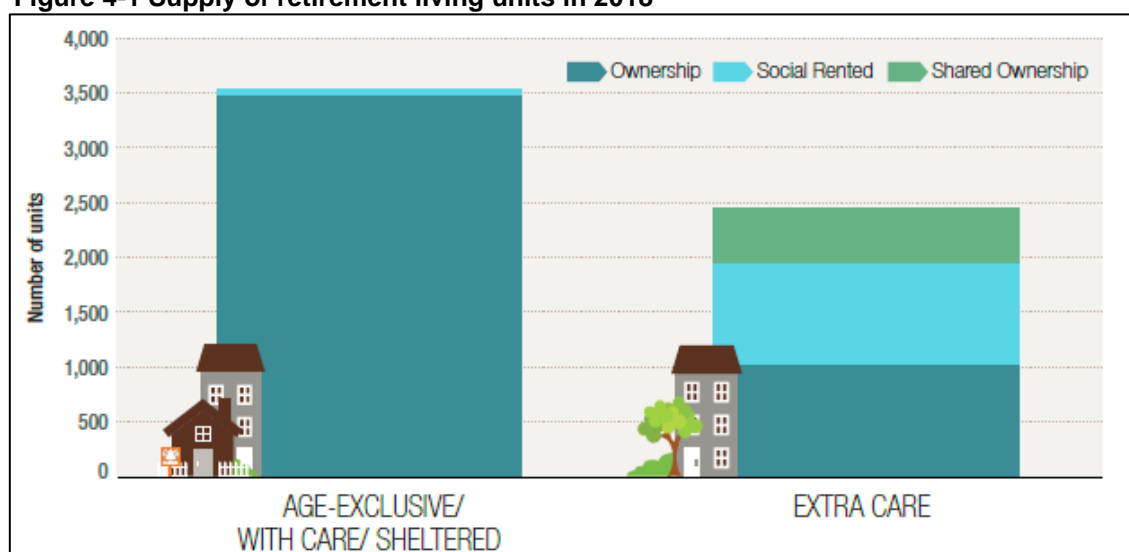
Introduction

4.1 With an ageing population, the demand for forms of specialist accommodation for the elderly is growing. This type of specialist accommodation usually takes the form of retirement living (typically over 55 accommodations), housing with support, and housing with care. We define these below:

- Age restricted-exclusive / sheltered / retirement housing – this is an accommodation that is built specifically for sale or rent to older people e.g. McCarthy and Stone or Churchill properties. They comprise self-contained units (apartments) with communal facilities and a live-in or mobile scheme manager and alarm call systems in case of emergency.
- Assisted living/extra care / very sheltered housing - this is similar to sheltered housing but is designed to enable residents to retain their independence as they grow older and their need for support and/or care increases. Residents still occupy their own self-contained home within blocks of flats, estates of bungalows or retirement ‘villages’ but often enjoy enhanced communal accommodation and occupants may also be offered individual care and assistance from support staff, within the complex, 24 hours per day.
- Close care or assisted living housing – This is normally situated within the grounds of a care home and takes the form of self-contained, independent flats or bungalows. Units may be rented or purchased by the occupier. Residents will also have access to the care home’s other facilities and will normally have some form of direct communication with the care home for emergencies. There may well be an arrangement whereby the care home management will buy-back the property if it becomes necessary for them to move into the care home.
- Care homes / residential care homes – living accommodation for older people who employ staff that provides residents with personal care, such as washing and dressing. Residents normally occupy their single rooms but have access to other communal facilities.
- Care homes with nursing/nursing homes – Similar to a residential home but they offer the full-time service of qualified nursing. Such accommodation is suited to residents who are physically or mentally less capable and require a higher level of care.

4.2 Figure 4-1 shows the supply of retirement living units in 2018 and demonstrates that the majority of supply is delivered through age-restricted/exclusive or sheltered housing for sale. With extra care schemes, the tenure split is more widely spread with social rented and shared ownership options.

Figure 4-1 Supply of retirement living units in 2018



Source: Knight Frank, accessed November 2018

- 4.3 Our focus is on age-restricted as these are more likely to be developed by the private sector and are most similar to C3 use housing. C2 use residential institutions such as residential care homes and nursing homes are specialist developments (valued on a turnover or ‘profits’ basis) and are not considered in this analysis. Some of these schemes are developed by housing associations and others by the private sector and/or charities and all will have a different status in terms of liability for Affordable Housing, (for example, Charitable Organisations are exempt from CIL).
- 4.4 More recently, forecast research in Figure 4-2 shows there will be a three-fold increase in the number of specialist seniors housing Build to Rent units delivered in the next five years, driven by some housing with care operators allocating a proportion of their pipeline to this market. The movement in the market is geared more toward housing with care or extra care.

Figure 4-2 UK Seniors housing forecasts – total units

	Retirement Housing	Housing with Care	Total Seniors Housing Market
2019	643,981	91,181	735,162
2024 (f)	673,768	135,252	809,020
Forecast new units	+29,787	+44,071	+73,858
Forecast growth (%)	5%	48%	10%

Source: Knight Frank, accessed December 2020

Specialist housing premiums

- 4.5 Research by the Retirement Housing Group ¹¹ (RHG) indicates that sheltered housing values carry a premium over general needs housing – this analysis is set out in Table 4-1.

Table 4-1 Sheltered housing and ECH sales values premiums

Typology	Assumption
Sheltered housing unit prices	<p>In higher-value areas -</p> <ul style="list-style-type: none"> • 10-15% premium to private market 1 – 2-bed flats <p>Or, in lower-value areas (with no apartment scheme comparables) –</p> <ul style="list-style-type: none"> • 75% value of a 3-bed semi-detached house for a 1-bed sheltered housing unit, and • 100% value of a 3-bed semi-detached house for a 2-bed sheltered housing unit

Source: Retirement Housing Group 2013

RHG rule of thumb

- 4.6 There are only a few examples of recent new build flatted sales, one in Sittingbourne and another in Faversham we have therefore applied to both flatted and housing values to help provide range.
- 1-bed sheltered housing rule of thumb:
 - For a 1-bed flat higher value zone, based on 15% premium on £180,000 = £207,000
 - For a 3-bed semi-detached house in lower value, 75% of £330,000 = £247,500
 - 2-bed sheltered housing rule of thumb:
 - For a 2-bed flat higher value zone, based on 15% premium on £215,000 = £247,250
 - For a 3-bed detached house, 100% of £330,000 = £330,000
- 4.7 Due to the level of services provided and the type of product, the values of sheltered housing do not necessarily follow the residential value zones that we have identified. There is very limited evidence available to show recent development and the types of product do not vary widely, so prices remain similar, independent of location. Therefore, we have assumed one value zone for this type of testing.

New build sold prices – Swale Borough

- 4.8 There are few new-build sales of over 55 accommodation in the area in recent years. We have therefore also considered properties currently being marketed.

¹¹ RHG Retirement Housing Group, 2013, Retirement Housing Viability Base Data/ Churchill Retirement Living and McCarthy and Stone, 2013, Briefing Paper for CIL Practitioners Retirement Housing and the Community Infrastructure Levy

Marketed properties – Swale and the wider area

4.9 There is one new build scheme being marketed and so we have also looked beyond Swale, at Maidstone. Churchill Retirement Living is currently selling a new-build development in Sittingbourne and Maidstone. These schemes and their marketed prices are outlined in Table 4-2. The 1-bed properties are marketed between £247,950 and £338,000 and the 2-bed properties are marketed between £354,950 and £400,000. Asking prices in Maidstone are notably stronger than Sittingbourne and we have placed more weight on the evidence in Sittingbourne. When we cross-reference the quoting prices with our rule of thumb approach above, they values are akin to the 3-bed values in the lower value zone (either 75% of value for 1-bed and 100% of value for 2-beds).

Table 4-2 New-build marketed properties

Site Address	Type	Size sqm	Quoting price
Beatrice Lodge, Sittingbourne	1 bed	n/a	£247,950
	2 bed	n/a	£354,950
Kings Lodge, Maidstone	1 bed	n/a	£299,950 – £338,000
	2 bed	n/a	£350,000 - £400,000

Source: Rightmove, accessed December 2020

Conclusion

4.10 Based on our market analysis we proposed to test a single value zone using the values set out in Table 4-3. A single value zone is appropriate as this is where allocations, and windfall development, is most likely to come forward as over 55 accommodation. We have accounted for the rule of thumb approach and the new build marketed properties in determining our final sale values.

Table 4-3 Proposed sale prices

No. of bed	Unit size sqm	Unit price	£ psm
1	55	£247,500	£4,500
2	70	£330,000	£4,714

Source: AspinallVerdi 2020

5 Holiday park accommodation

Introduction

- 5.1 The holiday lets market is performing well in Britain since the weak currency is forcing some families to opt for “staycation”.¹² Moreover, the travel restrictions brought about by Covid-19 may also increase the “staycation” preference.
- 5.2 Savills report that 2017 was a ‘particularly strong year for the UK holiday and home park market, which encompasses touring parks, holiday static parks and residential parks. This was driven predominantly by domestic investment as the popularity of staycations continued to increase.’¹³
- 5.3 According to Sykes Staycation Index¹⁴, bookings for their holiday cottages soared by 36% in 2018, with 66% of British people holidaying in the UK, further echoing the Savills report.
- 5.4 Due to the improvements in the market Savills report that ‘the average “per pitch” value has steadily risen across the board since 2014; the residential park value has risen from £23,000 to £31,000¹³. More recent research shows that this figure has now risen to £23,000 to £50,000¹⁵.
- 5.5 We understand that the main area of focus for existing holiday park accommodation in Swale is on the Isle of Sheepy with many purpose build parks already present on the island. However, there are no new build schemes currently advertised here and so we have looked further afield. Our research will focus on park homes.

Swale Borough, park home new build quoting prices

- 5.6 The holiday lodge market in the Borough is narrow, with purpose-built holiday villages with minimum fixed-term tenancies of around 10 months/year. Table 5-1 shows the most recent new build quoting prices for a holiday lodge accommodation in Swale and Maidstone.

¹² Moore, C., 2017, Britain's holiday rental market booms.

¹³ Savills, 2018, The sun is likely to shine on the holiday and home park market in 2018

¹⁴ Donoghue, G, 2019, The Sykes Staycation Index 2019

¹⁵ Sanderson Weatherall, 2020, Holiday & Caravan Park 2020 Market Report

Table 5-1 Park home quoting prices Swale

Site address	Scheme description	Quoting prices	Description
Shore Drive, Vicarage Lane, Rochester, Kent	2-bed holiday lodge 785 sqft/73 sqm Over 50's only	£180,000 - £240,000	
Franklins Avenue, Ringlestone, Kent	2-bed holiday lodge 958 sqft/89 sqm	£220,000	
Charing, Kent	2 bed holiday lodge 800 sqft/74 sqm	£199,750	

Source: Rightmove, accessed December 2020

Conclusion

- 5.7 Based on our analysis an appropriate capital value to use in the viability testing is a single sale value of £215,000 (£2,867 psm) for a 2-bed unit at 75 sqm for caravan/lodge accommodation as set out in **Error! Reference source not found..**

6 Retail market assessment

Introduction

- 6.1 In our assessment of the retail sector, we consider both convenience and comparison retail because they both have different market drivers.

Retail market overview

- 6.2 Before the Covid-19 pandemic, the retail market was going through a structural change. The structural changes in the retail market were being caused by the growth in online sales and falling footfall in town centres. Retailers were also facing cost pressures from business rates and the national living wage. During the Covid-19 outbreak, many retailers have had to close or limit customer access due to social distancing measures introduced by the government. Many retailers have sought to take advantage of the Coronavirus Act 2020¹⁶ and not paid rent – CoStar reported that only 41% of March 2020 quarter date rent was collected and 40% June 2020 quarter date.¹⁷

Convenience sector

- 6.3 The convenience retail sector has seen a significant change since the financial crisis. In the years following 2008, supermarkets appeared to have weathered the economic storm with most operators aggressively expanding (commonly referred to as the race for space). Operators were able to competitively bid for sites as they were taking advantage of other sectors in the property market is much weaker. During this period of growth, there was a strong appetite from operators to open large-format stores of up to circa 11,150 sqm (123,785 sqft). This format providing a mixture of convenience and comparison retail.
- 6.4 In more recent years shopping patterns have changed significantly: there is more reliance on online shopping combined along with customers supplementing a 'big' shopping trip with regular smaller shops during the week. Also, some customers are splitting their shopping trips between the big four supermarkets (Tesco, Sainsbury's, Asda and Morrisons) and discounters such as Aldi and Lidl. This resulted in supermarket operators shifting away from large format stores
- 6.5 The convenience retail market appears to have performed relatively well during the outbreak with many reporting a higher volume of sales than they would experience during Christmas. At some points, demand has appeared to outstrip supply, with the likes of Ocado temporarily suspending

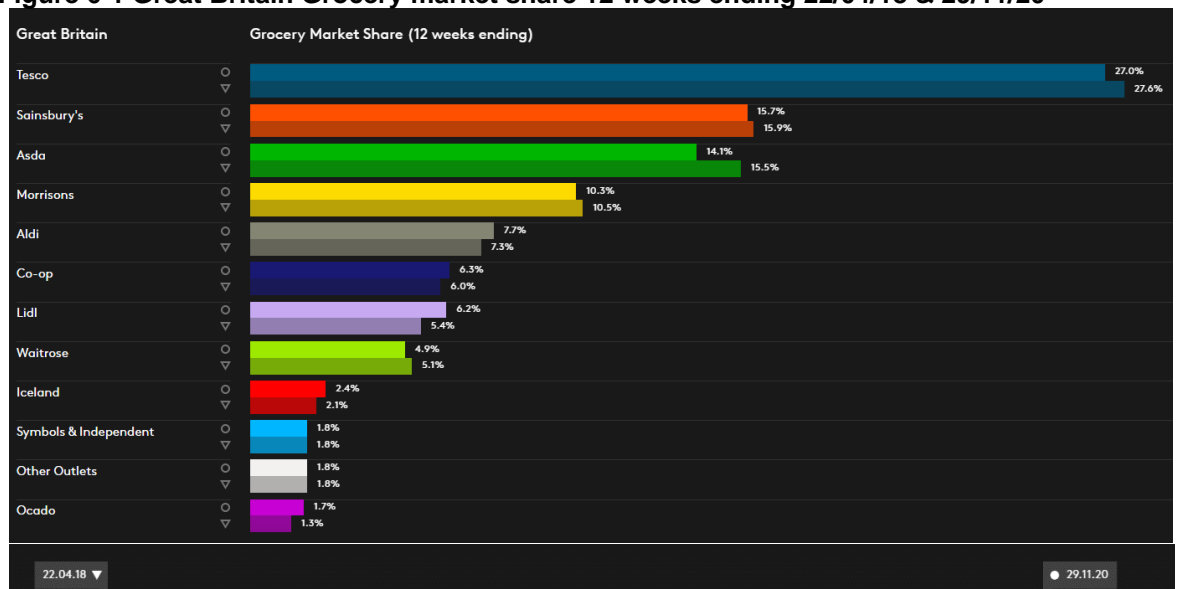
¹⁶ 'Coronavirus Act 2020' which received royal assent on 25 March 2020 introduced new legalisation 'that no right of re-entry or forfeiture may be enforced due to non-payment of rent until the end of the 'relevant period' (30 June 2020 (unless extended)).' The Coronavirus Act 2020 has provided the flexibility to allow tenants not to make their quarter day payment in March.

¹⁷ CoStar, 2 July 2020, Forty six per cent of June Quarter Day commercial rent now collected

their ordering application and restricted access to their website. The pressures faced by supermarkets during the Covid-19 lockdown are; maintaining social distancing in their physical stores, through restricting customers numbers; maintain supply chains (resulting in less choice of items and restricting the number of purchasers, and increasing capacity for home deliveries to meet demand. The pressure for retailers to have an online presence has been felt during the pandemic more than ever before. Even Marks and Spencer, who have traditionally only sold groceries in-store, have invested in Ocado to provide this service.

6.6 Figure 6-1 shows how the changes in the market have affected the relevant supermarket operators market share in recent years. The big four have been losing market share whereas the budget operators of Lidl and Aldi have gained market share along with online delivery service Ocado.

Figure 6-1 Great Britain Grocery market share 12 weeks ending 22/04/18 & 29/11/20



Source: Kantar WorldPanel, December 2020

6.7 Due to the changes in the market, operators are now more selective in the types of and locations of stores they seek to open. Tesco typically only seeks sites for their express format i.e. circa 200 sqm (2,200 sqft) in main urban areas ideally close to transport hubs, The likes of Asda, Morrisons and Sainsbury’s focus on the main urban areas where there is a perceived market gap. Aldi and Lidl have been a bit more aggressive which has led them to increase their market share.

6.8 Lidl¹⁸ seek sites with a minimum of 1.5 acres to accommodate a store totalling between 14,000-26,500 sqft (1,300-2,460 sqm). In terms of location, the sites would ideally have main road frontage with easy access and be situated within town, district or edge of centre or out of town

¹⁸ Lidl.co.uk/en/Site-Requirements, accessed February 2019

locations. Aldi¹⁹ also has similar requirements in terms of location and size, with a minimum of 1.5 acres to accommodate 18,000 - 20,000 sqft of space and 100+ car parking spaces.

6.9 The Borough well represented with supermarkets:

- Sittingbourne – is well represented with supermarkets. Asda has 4,700 sqm superstore, Sainsbury's has a 5,700 sqm superstore, Morrisons has a 6,700 sqm superstore and Tescos have two express format stores. Also, Lidl, Aldi, Iceland, Co-Operative, Budgens and M&S Foodstore are all present in the town.
- Faversham – is also well represented with supermarkets. Tesco has a 4,700 sqm superstore, Sainsbury's has a 4,500 sqm superstore and Morrisons has a 2,500 sqm store. Also, Co-Operative and Costcutters are all present in the town.
- Sheerness - is well represented with supermarkets. Tesco has 6,500 sqm superstore, and Morrisons has a 5,200 sqm superstore. Also, Aldi, Iceland, Co-Operative, Londis and Costcutters are all present in the town.

Convenience retail rents

6.10 There has been a lack of new letting activity for supermarkets in the Borough recorded on CoStar, therefore, we have considered transactions in the wider Kent area. Table 6-1 shows that rents achievable range between £21 psf up to £29 psf.

Table 6-1 Convenience retail occupational transactions

Lease start date	Address	Tenant	Size sqft	Rent £ psf	Comment
17/07/2019	Dadson Way, Ramsgate	Sainsbury's	121,364	£21.34	Effective rent, 40-year lease
18/06/2019	29 High St, Canterbury	Sainsbury's	3,846	£28.60	25-year lease
12/02/2019	Dadson Way, Ramsgate	Sainsbury's	121,364	£21.00	25-year lease

Source: CoStar, accessed July 2020

Convenience retail yields

6.11 There is little evidence of recent convenience retail transactions in the Borough recorded on CoStar, therefore, we have considered Kent and the wider South East market (excluding London). Table 6-2 shows that net initial yields are as a low as 4.0% with cap and collar RPI rent reviews.

¹⁹ Aldi.co.uk/about-aldi/property/required-towns, accessed February 2019

Table 6-2 Convenience retail investment transactions

Date of transaction	Address	Tenant	Size sqft	Yield	Comment
Nov 2019	17 Martin Hardie Way, Tonbridge	Co-Op	1,766	N/a	1970's built unit. Sold at £600 psf
Feb 2020	Medway Queen, Churchill Avenue, Chatham	A.F. Blakemore & Son Ltd (t/a SPAR)	3,574	5.81%	Let until 2034 with no breaks. RPI linked rent reviews every 5th year, next review in 2023. Passing rent £19.71 psf
Q3-2019	Canterbury	Aldi	13,050	5.4%	FH. Built in 1982 but recently refurbished internally. 20-year lease until July 2032, break July 2027. Next rent review 2022. RPI linked, subject to a cap of 3% per annum compounded.
Feb 2019	2-4 Fitzalan Road, Horsham, RH13 6AA	Co-op	5,678	6.50%	n/a
Sep 2019	61-69 Perrymount Road, Haywards Heath, RH16 3DR	Waitrose	46,036	4.07%	n/a
Mar 2019	Ham Road, Shoreham by Sea, BN43 6PA	Co-op	35,648	6.75%	n/a
Aug 2018	Wolverton Works, Milton Keynes	Lidl	28,041	4.84%	FH. Built in 2018. 5 yearly rent reviews to OMRV, capped at 2% per annum. Part of a wider regeneration scheme
May 2018	Bedford	Aldi	20,972	4.00%	FH. 5 yr reviews to RPI (1% and 3% collar & cap). Next review 2023 shows yield 4.56% assuming RPI at 2.70% per annum. Adjacent Sainsbury's store.

Source: CoStar, accessed July 2020, Savills, 2019

Comparison retail

- 6.12 Before the global pandemic, the shift from bricks to clicks was being significantly felt in the comparison sector. Many well-known names were lost e.g. BHS, Poundworld, Maplin and Toys ‘R’ Us and entering CVAs or administration e.g. New Look, Debenhams and House of Fraser.
- 6.13 As the high street started to re-open in the summer of 2020 we have seen further changes which include:
- Intu – one of the UK’s largest shopping centre owners, with the likes of Trafford Centre and Lakeside entered administration.
 - All Saints – the fashion retailer has agreed on a CVA which has resulted in them changing to turnover rents rather than fixed rents.
 - Go Outdoors - entered administration end of June 2020 and was bought by JD Sports and the business will be restructured and reports they will be seeking to significantly cut rents to avoid store closures.
 - Acardis Group – includes stores such Topshop, Miss Selfridge and Wallis entered into administration at the end of November 2020.
 - Oasis and Warehouse – entered administration in April 2020 with all of its 92 stores closes and 400 concessions terminated. The brands and e-commerce platforms were sold in June 2020 online fashion retailer Boohoo.

Swale comparison retail

- 6.14 In the Borough the comparison retail offer is found primarily in the towns of Sittingbourne (principal town), Faversham and Sheerness. Also, there are a number out retail parks Sittingbourne Retail Park (occupiers include Halfords and Pets at Home); Spring Retail Park (occupiers include Home Bargains); and Neats Court Retail Park (occupiers include B&M and Sports Direct).
- 6.15 There is no recent new build retail evidence for yields or rents listed on CoStar for the area, a reflection of no new development recently occurring. We have reviewed the second hand units that have recently sold. Table 6-3 shows some transactions across the Borough. The majority of the transactional evidence contains smaller units up to 2,000 sqft. Rents are wide ranging from £6.70- £27.30, however, the majority of rents are below £10 psf.

Table 6-3 Comparison retail occupational transactions

Date of transaction	Address	Tenant	Size sqft	Rent £ psf	Comment
Aug 2020	Community Hall Building, 150-152 London Road, ME9 9QH	n/a	1,794	£6.70	n/a

Jan 2020	121 High Street, Sittingbourne, ME10 4AQ	Humairaz	4,107	£8.09	Let on a 15-year term with 10- year tenant break and 5 yearly rent reviews
Sep 2019	46 Court Street, Faversham, ME13 7AL	Debra	832	£16.82	Let on a 10-year term with 3-year tenant break and 5-year rent review
Sep 2019	89 High Street, Milton Regis, ME10 2AR	n/a	944	£9.00	Let on a 5-year term
Mar 2019	Suite 4 Thames House - 1-6 Roman Square, Sittingbourne, ME10 4BJ	Demelza	1,647	£7.89	Let on a 10-year term with 5-year rent review

Source: CoStar, accessed November 2020

6.16 There is limited evidence of recent investment deals in Swale recorded on CoStar, most of the evidence is again based in town centres in and around the Kent area. The evidence in Table 6-4 shows that sales achieved yields between 6.03%- 10.11%.

Table 6-4 Comparison retail investment transactions

Date of transaction	Address	Tenant	Size sqft	Yield	
09/01/2020	82-84 High Street, Sittingbourne, Kent ME10 4PH	Betfred	4,861	7.00%	Auction sale, fully let
16/10/2019	66 Preston Street, Faversham, Kent, ME13 8PG	WH Breeding	1,825	6.03%	n/a
Under Offer	49-55 High Street, Kent ME12 4BN	Poundstretcher/Vacant	44,000	10.11%	Auction sale, Vacant first floor

Source: CoStar, accessed November 2020

Conclusion

6.17 Based on the above evidence we have proposed to test the following:

- Convenience retail budget format store 2,500 sqm (26,910 sqft)
 - Rent £226 psm (£21 psf)

- Yield 5.50%
- Convenience retail express format store 350 sqm (3,767 sqft)
 - Rent £247 psm (£23 psf)
 - Yield 5.75%
- Comparison small town centre store 250 sqm (2,691 sqft)
 - Rent £161 psm (£15 psf)
 - Yield 9%
- Comparison Large town centre store 500 sqm (5,382 sqft)
 - Rent £107 psm (£10 psf)
 - Yield 8%

7 Industrial market

Introduction

- 7.1 In the years before the recession caused by the Global Financial Crisis, the industrial market saw a wave of speculative development, fuelled by easy access to finance. Much of the new space that resulted remained on the market as occupier demand weakened in the recession, so speculative development came to a halt. In more recent years supply has tightened against demand, due to the economic recovery, the increase in online shopping (which needs warehouse space) and some industrial units being lost to higher-value residential uses.
- 7.2 Due to the tight nature of the funding markets, speculative development is generally only occurring in 'super-prime' areas such as parts of the M1 corridor, Heathrow, etc. Those areas have very strong occupier demand from blue-chip covenants, who are prepared to commit to longer-term leases (typically more than 10 years), therefore the perceived risk is low. Elsewhere, speculative development is generally occurring only for larger units that can be occupied by these large national /international firms.
- 7.3 The economics for small and mid-sized units is different from large-scale distribution units, both in terms of cost and values. Smaller and mid-sized units do not benefit from economies of scale for build costs as large units do. Covenant strength of occupiers of smaller units is generally weaker and result in less secure income, which is guaranteed for shorter periods due to shorter lease terms, and hence lower capital values. Consequently, small and medium-sized development typically occurs only on existing employment sites - where infrastructure is currently in place; or as part of larger strategic schemes, whereby the large-scale distribution units can pay for the infrastructure to service the smaller and medium-sized units.
- 7.4 Concerning small and mid-size units, the lack of speculative development has led to an imbalance in the market, with some occupiers having to wait for the build to suit opportunities, or taking second-hand space to satisfy immediate requirements although they would prefer new space. With a lack of suitable medium-sized space, occupiers across the country are struggling to find suitable space for business expansion. This is having a knock-on effect, with smaller units not experiencing 'natural' levels of market churn, therefore not freeing up space for SMEs and start-ups.
- 7.5 Since the coronavirus lockdown, the industrial market appears to be performing well. Demand for online retail has increased significantly and manufactures have sought to re-purpose space to respond to the government's need for protective equipment. That said, the long term future is still marred by Brexit prospects.

Industrial market Swale

- 7.6 The Swale area has a number of industrial estates with units ranging in age and specification, much of this is focused around Sittingbourne and Sheerness/Queenborough. There are also units located in Faversham and the rural parts of the Borough. There has been some new build development in the last 10 years according to CoStar, but what has come forward are small scale industrial units between 1,000 sqft and 10,000 sqft located around Sittingbourne. The majority of the industrial stock in the area is second-hand.
- 7.7 Traditionally Swale was considered more affordable than Medway or Maidstone. But in recent years a lot of the Borough's supply has reduced, increasing rents and bringing them more in line with surrounding areas. Therefore, the Borough is competing for occupiers with those neighbouring areas. Within the sub-regional market, some footloose occupiers will take space as and when it becomes available, rather than seek to choose one location over another.
- 7.8 The area benefits from local trade counter services, automotive services, some general manufacturing and storage.

Light/general industrial (B1c/B2)

- 7.9 Swale Borough benefits from a diverse mix of blue-collar and white-collar employment, giving it a varied and robust economy. The wide-ranging employment sectors include:
- Advanced engineering/manufacturing
 - General manufacturing
 - Research and Design
 - Storage
 - Distribution
 - Building supplies and trade counters
- 7.10 Demand for industrial space in Swale is from a mix of local and some regional companies, looking to service regional and local markets. Across the Borough, there is a general need for units to be flexible Demand does not come from one specific sector but the food production has historically shown the most demand. Table 7-1 shows that rents industrial range between £6.50 psf and £9.96 psf.

Table 7-1 Industrial occupational transactions

Lease signed date	Address	Tenant	Size sqft	Rent £ psf	Comment
12/06/2020	Unit 7 Stadium Business Park, Castle Road, Eurolink Estate, ME10 3BG	WG Motorparts	2,174	£6.50	Second hand space. 23% discount from asking rent of £8.42 psf
01/11/2019	2 Eurolink Gateway, Castle Road, ME10 3AG	Unknown	16,914 (including 6,000 sqft mezzanine store)	£7.50	2000's steel portal framed building. 10-year lease
04/08/2020	A2 Smeed Dean Centre, Castle Road, Sittingbourne, ME10 3EW	Unknown	1,030	£9.96	6-year lease
01/07/2019	Unit 10 Fairway Business Park, Castle Road, Sittingbourne, ME10 3FB	UK Performance Cars	1,933	£9.28	n/a
28/06/2019	Unit 61, Mill Way, Sittingbourne, ME10 2PD	Dulux	3,842	£9.53	10-year lease, 5-year tenant break and rent free period spread over the term
15/04/2019	C Trinity Trading Estate, Mill Way, Sittingbourne, ME10 2PD	City Plumbing Supplies	4,853	£9.60	10-year lease, tenant break and rent free period spread over term – Effective rent: £9.36

Source: CoStar, accessed November 2020

- 7.11 There is limited evidence of investment transactions recorded on CoStar so we have also considered evidence from the neighbouring Boroughs. Table 7-2 shows investment transactions are achieving between 5.9% and 11.87% yields. Due to the lack of available data on CoStar, we have also reviewed the Knight Frank Yield Guide²⁰ which states that Secondary Estates are at a yield of 6.25%+, within the range of the recent transactions.

²⁰ Knight Frank, 2019, Investment yield guide November 2020

Table 7-2 Industrial investment transactions

Date of transaction	Address	Tenant	Size sqft	Net Initial Yield	Comment
01/08/2020	Units 1-10, Phase 2, New Road Industrial Estate, Grace Road, Sheerness, ME12 1DB	Multi-let	11,950	11.78%	Fully occupied
21/07/2019	Bonham Drive, Swale, ME10 3RY	DHL	21,872	5.9%	Let to DHL

Source: CoStar, accessed November 2020

Strategic Distribution (B8)

- 7.12 Swale has not traditionally been an attractive area for logistics occupiers due to the geographical constraints of the area i.e. coastline to the east. But, due to land constraints in and around London, Swale has become more attractive to occupiers although the focus of the market is still smaller industrial units.
- 7.13 Demand for strategic industrial space in Swale is usually from supermarkets (e.g. Morrisons 900,000 sqft unit at Ridham/Kemlsey and Aldi's 672,000 sqft unit at Neat's Court, Isle of Sheppey) of seeking distribution hubs but increasingly, online retailers are seeking appropriate spaces with good connectivity. There are no recent strategic distribution deals recorded on CoStar, therefore we have considered the neighbouring Boroughs. Table 7-1 shows that rents range between £3.19 psf and £7.50 psf.

Table 7-3 B8 Industrial occupational transactions

Lease signed date	Address	Tenant	Size sqft	Rent £ psf	Comment
01/10/2020	Unit 1B Stoke Road, Rochester, ME3 9GX	Noatum Maritime	150,000	£7.50	New build space, 15-year lease
19/07/2019	Suite Unit 20 Redwall Lane, Maidstone, ME17 4BA	Berry Gardens	200,263	£6.49	New build space. 15-year lease with 2 months rent free period. Effective rent - £6.38
22/01/2019	Marley Plumbing and Drainage, Dickley Lane	Tarkett	152,172	£3.19	10-year lease with three yearly mutual break options

Lease signed date	Address	Tenant	Size sqft	Rent £ psf	Comment
	Maidstone, ME17 2DE				and 5 yearly rent review.

Source: CoStar, accessed December 2020

Investment Yields

7.14 There is no evidence of investment transactions recorded on CoStar so we have also considered evidence from the neighbouring counties. Table 7-2 shows an investment transaction achieved a yield of 5.22%. Due to the lack of available data on CoStar, we have also reviewed the Knight Frank Yield Guide²¹ which states that Secondary Distribution is at a yield of 5.5%, within the range of the recent transaction.

Table 7-4 Strategic Distribution investment transactions

Date of transaction	Address	Tenant	Size sqft	Net Initial Yield	Comment
13/08/2018	Eastern Avenue, West Thurrock, RM20 3LW	Wincanton	160,000	5.22%	Built in 1999, Let to Wincanton at £7.51 psf

Source: CoStar, accessed December 2020

Conclusion

7.15 Based on the above evidence propose the following rents, yields, and scenarios to use in the viability testing:

- Industrial units 200 sqm (2,153 sqft)
 - Rent £108 psm (£10.00 psf)
 - Yield 7.50%
- Industrial/distribution units 1,000 sqm (10,764 sqft)
 - Rent £97 psm (£9.00 psf)
 - Yield 7.00%
- Industrial/distribution units 5,000 sqm (53,820 sqft)
 - Rent £75 psm (£7.00 psf)
 - Yield 6.50%

²¹ Knight Frank, 2019, Investment yield guide November 2020

- Strategic Distribution 15,000 sqm (161,460 sqft)
 - Rent £81 psm (£7.50 psf)
 - Yield 5.50%

8 Office market

Introduction

- 8.1 Similar to the residential market, the full impact of Covid-19 on the office market is unknown. With the government encouraging working from home measures, many offices have been left unoccupied or at greatly reduced occupancy. Companies have been forced to embrace video conferencing and other measures to ensure business continuity.
- 8.2 What has emerged to date is that:
- Leasing decisions deferred – due to the uncertain world economic outlook companies have deferred the decision making in taking new space, this is more apparent with micro-businesses and SME's whose current focus is dealing with the immediate fallout and business continuity.
 - Tenants seeking to defer rent payments – the 'Coronavirus Act 2020' which received royal assent on 25 March 2020 introduced new legislation *'that no right of re-entry or forfeiture may be enforced due to non-payment of rent until the end of the 'relevant period' (30 June 2020 (unless extended))*.²² The Coronavirus Act 2020 has provided the flexibility to allow tenants not to make their quarter day payment in March.
 - Increase in office occupier tenant incentives – Knight Frank indicates that 'Lease incentives, however, have drifted: 21-24 months on some 10-year leases, instead of 18-21 months in the West End and nearer 24 months in the City, which were previously at 21-24 months.'²³
- 8.3 Typically, new office development is only financially viable in major towns and cities. Generally, new development requires a pre-let in place to a blue-chip covenant – i.e. on a long lease to a high-quality tenant that is likely always to pay its rent and adhere to its obligations. This structure gives sufficient security to the investment to enable funding to be obtained. For example, office take-up in 2019 to the end of September was 1.8m sq ft, of which 90% of the take-up was Grade A.²⁴ Only 460,000 sq ft of speculative schemes are expected to complete in 2019, well below the 5-year average of 1.0m sq ft delivered per annum in the South East²⁵.
- 8.4 In recent years the main drivers of demand for new office space have been from finance, professional services, Technology, Media and Telecommunications (TMTs) and flexible workspace providers. Since the referendum to leave the European Union there has been a slight

²² <https://www.rpc.co.uk/perspectives/rpc-big-deal/covid-19-and-commercial-tenants-rights-regarding-rent/>

²³ Knight Frank, June 2020, COVID-19 What we know, what we expect, what we question

²⁴ BNP Paribas, 2019 Q3, South East Offices Review,

²⁵ Ibid

cooling of office demand from the finance and professional services, but demand from TMTs and flexible workspace providers remains robust.

Swale office market

- 8.5 Swale is primarily seen as an industrial location rather than a recognised office market. In Swale and the surrounding Boroughs, the largest occupiers are usually public-sector council offices. Other larger occupiers are few and most are usually located in the area for historic reasons. With London so close to Swale most occupiers prefer to be located in the capital or recognised office locations nearby.
- 8.6 Even within Kent, Swales office market is comparably small. This is a result of the size of the market, in comparison to industrial, its proximity to London, and its context within Kent. Within the wider county, most occupier activity is focused on the larger towns of Maidstone and Ashford, or the purpose built out of town business parks, like Kings Hill (Maidstone) and Discovery Park (Sandwich).
- 8.7 The Swale Borough has minimal office stock, with the majority of the accommodation found in Sittingbourne, Faversham and Sheerness. The stock is generally dated; often located above shops in the town centre, with small units to service local companies. The most recent example of speculative office development occurring in the Borough has been at Conqueror Court. This completed in 2008 in a time when development finance was accessible and the balance to between build costs and rents/yields was more favourable. Occupiers of Conqueror Court include C.T. Associates (Accountants) and HEM Ultrasound (NHS and Private diagnostic ultrasound scans).

Office rents

- 8.8 Table 8-1 sets out achieved rents for the area recorded on CoStar. Rents for second-hand units range from £13.79 psf to £18 psf, and we would expect some price premium for new build stock. However, there is no currently no new build stock in Swale.

Table 8-1 Achieved office rents

Lease signed date	Address	Tenant	Size sqft	Rent £ psf	Comment
18/09/2020	5 Park Road, Sittingbourne, ME10 1DR	SC Kent	418	£15.79	3-year lease, no rent reviews or break options
26/05/2020	Unit 10, Conqueror Court, Staplehurst Road, Sittingbourne, ME10 5BH	Unknown	2,693	£16.00	-

Lease signed date	Address	Tenant	Size sqft	Rent £ psf	Comment
07/06/2019	Unit 10, Conqueror Court, Staplehurst Road, Sittingbourne, ME10 5BH	Bridgers Law	750	£15.60	Out of town offices, 5 year lease with 2 months rent free – Effective rent: £15.00 psf
05/07/2019	B6 Smeed Dean Centre, Castle Road, Sittingbourne, ME10 3EQ	Unknown	359	£13.79	6 year lease
07/06/2019	Unit, Conqueror Court, Staplehurst Road, Sittingbourne, ME10 5BH	WeCare Physiotherapy	2,548	£18.00	5 year lease, 3 months rent free at the start

Source: CoStar, accessed November 2020

Office yields

- 8.9 There is no evidence of recent office investment activity recorded on CoStar, we have therefore looked at the wider Kent area. Figure 8-1 shows these investment transactions, with yields between 3.64%-8.25%, in addition to this the Knight Frank Secondary Asset Yield Guide provides a 6.50% yield for offices in SE towns (tertiary).²⁶

Figure 8-1 Office investment transactions

Date of transaction	Address	Tenants	Size sqft	Yield	Comment
01/04/2019	22 Mount Ephraim, Tunbridge Wells,	Cripps Pemberton Greenish	38,180	5.39%	Modern Grade A Offices built in 2016
01/08/2019	Eureka Park, Ashford, TN25 4AZ	RIFT Ltd	10,314	8.25%	Modern Grade A Offices in Eureka Park

Source: CoStar, accessed November 2020

²⁶ Knight Frank, 2020, Investment yield guide November 2020

Conclusion

- 8.10 Based on our analysis of the office market an appropriate rent is £18 psf and yield of 8.00%, at a size of 1,000 sqm (10,764 sq ft).

Appendix 2.1 – Residential sale value evidence

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Appendix 3 – Dwelling Mix Analysis

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Appendix 4 – BCIS Costs

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Appendix 5 – Appraisals Residential

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Appendix 6 – Appraisals Older Persons Accommodation

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Appendix 7 – Appraisals BTR Accommodation

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Appendix 8 – Appraisals Holiday Park Accommodation

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Appendix 9 – Appraisals Retail Uses

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Appendix 10 – Appraisals Employment Uses

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