

REPORT ON AFFORDABLE HOUSING & VIABILITY

**The Windmill Inn Public House & 34 Mill Lane, Rustington, West
Sussex. BN16 3JN.**

APPLICATION BY:

CHURCHILL LIVING LIMITED

planning*issues*
TOWN PLANNING AND ARCHITECTURE

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SITE: The Windmill Public House and 34 Mill Lane,
Rustington, BN16 3JN

LOCAL PLANNING

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This report or its findings do not constitute a formal valuation under the RICS Valuation – Global Standards 2022. This report has been prepared for Churchill Living (“the client”) with advice provided expressly in preparation, or during the course of negotiations.

NON-TECHNICAL SUMMARY

- 1.1 This statement provides an assessment of the financial viability of the proposal to build 28 retirement living apartments and 3 retirement living cottages at the site of the Windmill Public House and 34 Mill Lane in Rustington.
- 1.2 The site is currently an operational public house, car park, large garden area and a residential property at number 34 which is under separate ownership.



Site Location

- 1.3 Local policy (AH SP2) requires 30% affordable housing on qualifying sites subject to financial viability considerations and evidence of local housing needs.
- 1.4 The council found that it would be unviable to charge a CIL on this typology within this zone (Zone 4). The CIL viability study acknowledged the difficulty in ensuring viable sheltered housing schemes in the coastal areas of the study where this site is located.
- 1.5 A detailed assessment of the financial viability of this proposal is considered as part of this report to understand how affordable housing inclusion impacts on the economics of the proposal applying costs and values at the date of the assessment.
- 1.6 The proposal is for a retirement living community with all residents availing of shared internal and external amenity and paying service charges at higher-than-average levels to obtain these communal benefits. Circa 27% of the total area of the apartment proposal is non saleable communal area. By comparison, a typical non-retirement apartment building

may have only 15% non-saleable communal area. This impacts negatively on scheme viability.

- 1.7 Policy and best practice require that planning obligations are assessed against increases in land value associated with planning permission and intensification of land. It is therefore appropriate to calculate commuted sums against the impact on land value of policy requirements. This approach is consistent with the council's own evidence base and best practice.
- 1.8 The following table summarises the appraisal examined relating to the 100% open market retirement proposal (28 units + 3 cottages) and considers financial viability by comparing the residual land value to the site benchmark land value (inclusive of owner incentives as set out at paragraph 6.34 onwards of this Statement).

	100% Open Market Scheme	
Open Market Sales	£11,240,000	£5,647 m2 (blended)
Base Construction Cost	£4,733,632	£1,532 - £1,836 m2
Total Cost Outlay	£18,636,000	
CIL	£0	Scheme Specific
Profit	£2,247,997	20% on GDV
Residual Land Value	£1,125,304	
Benchmark Land Value	£1,185,000	EUV
Surplus/Deficit	-£59,696	

Table 1 – Summary of Viability

- 1.9 It is concluded that no financial headroom exists to include an affordable housing contribution as to include any further costs would render the proposal financially unviable.
- 1.10 A sensitivity analysis has been undertaken at Section 7 in order to assess likely future movements in costs and values over the lifetime of a planning consent. This has concluded that costs are likely to outstrip growth in sales values over the lifetime of any planning consent and that this assessment has taken a balanced approach overall.

INTRODUCTION AND STATEMENT OF IMPARTIALITY

- 2.1 This Statement is prepared in relation to proposals to redevelop the site at The Windmill Public House and 34 Mill Lane, Rustington, for retirement living accommodation.
- 2.2 This statement considers how the proposal addresses national and local policy relating to affordable housing and viability matters. This is a specialist housing proposal for older people which national planning guidance recognises different viability characteristics to standard housing typologies. Most notably the proposal differs with the inclusion of higher percentages of non-saleable floorspace and as an age restricted product, typically takes much longer to sell, incurring higher borrowing and empty property costs as a result.
- 2.3 This statement has been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) professional statements on Financial Viability in Planning: Conduct and Reporting (1st Edition, May 2019) as well as Assessing Viability in Planning under the NPPF 2019 for England, RICS Guidance Note (1st Edition, March 2021). In line with the requirements, the author confirms the following is true.
- The author of this report has acted with objectivity, without interference and references all appropriate sources of information.
 - No performance-related or contingent fees have been agreed.
 - The information used is market led and not client driven in line with the NPPG standardised approach.
 - Planning Issues is the 'in house' planning consultancy for the applicant. In applying the standardised approach to viability has assessed the viability in a fully impartial manner, assuming market led assumptions.
 - Inputs to the Financial Viability Appraisal (FVA) are reasonably justified and based upon industry benchmarks recently agreed with other local planning authorities for similar proposals and in a number of occasions at planning appeal.
 - The applicant will seek to engage with the local planning authority in order to reach agreement in respect of the report conclusions where differences of opinion may materialise.
 - A non-technical summary of the outputs of the FVA is included to provide a high level summary of the outputs of this assessment.

DESCRIPTION OF APPLICATION SITE

- 3.1 The site is located along Mill Lane, a main route into the eastern end of Rustington town centre. The surrounding area largely comprises of residential dwellings with industrial uses located to the north of the railway line.
- 3.2 The site is located to the north of Rustington main centre, with a host of services and amenities, as well as being located circa 1 km from Angmering railway station which is to the east. As such, the site is located in a very sustainable location.
- 3.3 The site extends to approximately 0.31 hectares and is currently made up of a public house, associated garden and car parking as well as a residential property at 34 Mill Lane.
- 3.4 There is relevant planning history for this site with an application made in March 2022 for the *'extension and remodelling of existing public house to form hotel with 20 no. bedrooms and associated parking and landscaping'* (planning application ref: R/60/22/PL). The application was later approved by the Planning Committee on the 22nd August 2022.
- 3.5 The approved redevelopment proposal has not been implemented but remains extant.

NATIONAL PLANNING POLICY

Introduction

- 4.1 This section provides an overview of national policy and best practice as it relates to viability in planning.

National Planning Policy Framework (NPPF)

- 4.2 The Government published an amended version of the NPPF in July 2023. This statement will make reference to the current version of the NPPF.
- 4.3 Paragraphs 63 - 65 advises that where a need for affordable housing is identified, planning policies should specify the type required and expect it to be met onsite unless offsite provision or an appropriate financial contribution in lieu can be robustly justified and the agreed approach contributes to the creation of a mixed and balanced community. Where a major development involving housing is proposed, at least 10% of the total number of homes should be available for affordable home ownership. Specialist housing proposals such as housing for older people will be exempt from such a provision in recognition of its non-standard nature.

National Planning Policy Guidance (NPPG)

- 4.4 The National Planning Policy Guidance (NPPG) relating to viability matters was comprehensively updated in July 2018 with further updates in September 2019.
- 4.5 The NPPG reiterates the NPPF position that proposed developments should not be subject to a scale of obligations and policy burdens that threaten development viability. It emphasises that the guidance of the NPPF applies to decision taking on individual sites. It confirms that plans should set out required levels of contribution, including affordable housing, and advises that:

'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.'

'Different requirements may be set for different types or location of site or types of development'.

(Paragraph: 001 Reference ID: 10-001-20180724)

- 4.6 It is increasingly common for Local Plan viability testing to examine the viability of housing for older people. In the case of Fareham Borough Council, their plan wide testing confirms

that specialist housing for older people should be exempt from affordable housing requirements due to constrained viability associated with this typology¹. The NPPG states that viability assessments are primarily a role for plan making and should not compromise sustainable development and ensure that policies are realistic and will not undermine the delivery of the plan (Paragraph: 002 Reference ID: 10-002-20180724).

4.7 Paragraph 007 states that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the decision making level. Such circumstances could include development on unallocated sites, where further information on site and infrastructure costs are required, **or where the proposed development significantly varies from standard models (for example build to rent or housing for older people** – my emphasis) (Paragraph: 007 Reference ID: 10-007-20190509).

4.8 Paragraph 008 states that where a viability assessment is submitted it should refer back to the information that informed the plan and it is a matter for the decision maker as to the weight to be attached to it. This should include matters such as the most up to date evidence, change in circumstances and the transparency of assumptions behind the viability assessment (Paragraph: 008 Reference ID: 10-008-20180724).

4.9 In terms of the review of viability during the lifetime of a project the NPPG states that plans should set out circumstances when review mechanism may be appropriate as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development (Paragraph: 009 Reference ID: 10-008-20190509).

4.10 The NPPG considers the inputs required for a viability assessment to determine if a site is financially viable by looking at whether the value generated by a development is greater than the costs of developing it. This includes reviews of gross development value, costs, land value, landowner premium and developer return supported by appropriate evidence following the Government's recommended approach (Paragraph: 010 Reference ID: 10-010-20180724).

4.11 The required inputs are then defined in the following paragraphs as follows;

Gross Development Value (Paragraph: 011)

The value of the development for which residential developments may be total sales or rental income, for which market evidence can be used.

Costs (Paragraph: 012)

Based on evidence reflective of local market conditions including build costs, abnormal costs, site specific infrastructure costs, policy compliant contributions and CIL, finance costs, professional fees and contingencies.

¹ https://www.fareham.gov.uk/pdf/planning/local_plan/revisedpublicationlocalplan.pdf (Para 5.33)

Land Value (Paragraphs 013, 014, 015, and 016)

Based on existing land value plus a premium for the landowner reflecting a minimum return at which the land owner would be willing to sell. This should reflect the implications of abnormal costs, infrastructure costs and professional site fees and be informed by market evidence.

Return to Developer (Paragraph 018)

Potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types.

- 4.12 The NPPG expects viability appraisals to be prepared by suitably qualified practitioners in accordance with the NPPG. Findings should be presented clearly and set out in an executive summary, making clear what assessments have been used and supported by evidence. It should also be prepared on the basis that it will be made publicly available, unless in exceptional circumstances (Paragraph: 020 Reference ID: 10-020-20180724 and 21 ID: 10-021-20180724).
- 4.13 The NPPG confirms that Information used in viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data (Paragraph: 021 Reference ID: 10-021-20190509). This reaffirms the standardised approach.
- 4.14 On 26th June 2019, a further NPPG update was published relating to Housing for older and disabled people. This guidance stresses that 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 and that plans can set out different policy requirements for different types of development.
- 4.15 This section of the NPPG identifies specialist housing for older people as a 'nonstandard' model of housing where different viability considerations will be relevant.
- 4.16 The NPPF states within this section that decision makers should consider the location and viability of a development when assessing planning applications for specialist housing for older people. Local planning authorities can encourage the development of more affordable models and make use of products like shared ownership. Where there is an identified unmet need for specialist housing, local authorities should take a positive approach to schemes that propose to address this need (Ibid).

Vacant Building Credit

- 4.17 Vacant building credit is not applicable in this instance as the existing buildings on site are occupied. Given the poor trading position of the public house, it remains a possibility that element of the site could become vacant in the future.

5. DEVELOPMENT PLAN POLICY

- 5.1 This section sets out local planning policy considerations as they relate to affordable housing and other planning obligations.

The Arun Local Plan 2011 – 2031

- 5.2 The Development Plan for the Council consists of the Arun Local Plan adopted in July 2018.
- 5.3 Policy AH SP2 (Affordable Housing) of the Local Plan states that a 30% affordable housing requirement will be sought. The mix of affordable housing products will vary through negotiation and shall be provided taking into account the Council's evidence of housing needs. The target is to be applied subject to financial viability.
- 5.4 The council's preferred option is on site affordable housing delivery delivered as 75% rent and 25% intermediate housing, but in certain circumstances a commuted sum may be acceptable with the policy stating that any off site provision should be *of broad equivalence*.
- 5.5 The supporting text states that in negotiating for affordable housing, the Council will seek free, serviced land (this is land with utilities and roads provided by the developer at no extra cost to the Local Authority or Registered Provider).
- 5.6 The supporting text further states that the Council's viability evidence indicates there is a wide range of viability in the area and even within sites themselves. The council therefore expect each application to set out the affordable housing offer and if viability is to be examined, a full consideration of financial viability.

Affordable Housing Guidance for Developers

- 5.7 Informal guidance for developers is set out on the council website which replicates the Local Plan policy in respect of affordable housing and viability considerations.
- 5.8 It states that the provision of affordable housing on a site at less than 30% or an alternative site or by way of a commuted sum will only be allowed in very exceptional circumstances and if supported by robust evidence including, where appropriate, viability evidence.
- 5.9 However, where it can be proven that 30% affordable housing provision is not viable, then a reduction in the amount of affordable housing on a site or off-site provision as part of another development within the Arun district may be considered.
- 5.10 The applicant has adopted the approach previously agreed with the council at their existing lodge in Littlehampton (Hale Lodge).

Evidence of Housing Need

- 5.11 Local plan policy is supported by a 2015 Housing needs Assessment. This study demonstrates that in respect of housing for older people, the actual housing need is primarily for market housing. Table 32 of the study indicates that 10% of housing need within this typology is for affordable housing, rather than the generically applied 30% target. ²

Table 32: Need for Specialist Housing for Older Persons – by broad Tenure, Arun 2011-31

	Market	Affordable	Total
Need	3,835	1,278	5,113
Supply	1,715	1,033	2,748
Net need	2,120	245	2,365

Source: Derived from demographic projections

Conclusions

- 5.12 The council's affordable housing policy has a starting position that 30% affordable housing should be provided. However, this is subject to an assessment of financial viability and housing need. Policy also supports the diversification of housing choice in respect of housing for older people.
- 5.13 As a proposal for older people, the affordable housing target should therefore be applied flexibly in this case given that the housing needs requirements for this typology will differ from non-retirement housing typologies.
- 5.14 As set out earlier, the council do not charge CIL on sheltered housing proposals in this area, recognising the viability constraints of such proposals within the coastal area where this site is located.
- 5.15 The following section examines the viability of the proposed scheme, making reference to assumptions applied within the plan wide viability study as appropriate.

² [General Report Template \(arun.gov.uk\)](http://arun.gov.uk)

VIABILITY ASSESSMENT

Financial Appraisal Inputs

Internal Floor Area

- 6.1 An accommodation schedule is provided at Appendix 1 of this statement. In summary, the proposal includes the following:

1 bed units	- 19 units (average 51.68 m2)
2 bed units	- 9 units (average 82.61 m2)
2 bed cottages	- 3 units (average 88.33 m2)
Saleable floorspace	- 1,990 m2 (apartments)
Gross floorspace	- 2,622 m2 (apartments)
Gross to Net %	- 73.20 % (apartments)

Sales Values

- 6.2 The average house price in Rustington across the last 12 months was £407,000 (Rightmove) and £393,000 (Zoopla) while the typical semi-detached property sold for £369,000. Zoopla reports that flats average £255,000.
- 6.3 The most recent new build scheme in the area was the applicant's Hale Lodge development which is located less than 2 miles to the south west of this site. That scheme consists of 39 units selling from mid-2018 to late 2022 and achieving values of £4,406 m2. Applying indexation³ results in achieved values of £4,638 m2 across average sizes of approximately 57 m2. It is considered that the application property location is a marginally higher value in comparison to the Hale Lodge location but the market areas overlap.
- 6.4 Another new build scheme example was the 2017 development by Lifestory to the south east of the site which consisted of 10 new build apartments. This proposal is age restricted but is comparatively small and includes quite large 2 bed apartments (circa 120 m2 for the larger properties). The values achieved were circa £4,694 m2 (average 104 m2) during 2020 – 2021.

³ General market indexation applied to older person's housing sales needs to be treated with caution given the length of time older persons housing schemes tend to sell over. Any indexation applied is only indicative.

- 6.5 The closest newbuild sites currently selling include the McCarthy Stone schemes at Angmering and Goring Street, Worthing. The asking prices for 1-bedroom units on the Goring Street scheme are £325,000 (52.5 m²) and £448,750 (69.25 m²) for 2 bedroom units. BN12 where the MS site is located is considered a higher value location with average typical property values circa £50,000 higher than BN16 according to Rightmove and Zoopla.
- 6.6 Within 1 mile of Rustington centre, newbuild (non retirement) houses are available asking from £314,995 for 2 bedroom semi detached houses (Langmead Place). 3 bedroom detached houses are available on the same development asking £400,000.
- 6.7 In respect of this proposal, average values are assumed at £320,000 for 1 bedroom properties on average (£6,191 m²) and at £420,000 for 2 bedroom properties (£5,084 m²). The cottages are assumed at £460,000 (£5,207m²). Overall, a blended value of £5,648 m² is allowed. These values are considered ambitious given the comparable detail. Set out at Appendix 2 is further detail of recent comparable transactions in the area.
- 6.8 The applicant reserves the right to revisit these assumptions in light of evolving market conditions.

Base Build Cost

- 6.9 The application proposes a 3-storey flatted scheme. At the time of writing, the RICS Build Cost Information Service (BCIS) advises rates for 3-storey plus of £1,836 m² in respect of supported housing developments in this location. In respect of the cottages, the Estate Housing 2 storey rate is currently £1,532 m² and is applied within the appraisal. The BCIS extract applied is included at Appendix 3 of this report.
- 6.10 Further allowances are made in respect of Building Regulation enhancements relating to Part F, L, O and S which are not included within the BCIS data. A standard allowance of £2,500 per unit is applied and £4,850 per cottage.

External Build Cost

- 6.11 A rate of 10% is allowed as standard.

Site/Proposal Specific Costs

- 6.12 These elements are site and development specific and have been estimated separately and are in addition to the build cost rate identified above which allows for the building and external areas only. A cost of £319,000 has been included within the appraisal. These allowances include demolition, piling and ground conditions.
- 6.13 A breakdown of these extra over costs is provided at Appendix 4.

Professional Fees

- 6.14 An allowance of 10% of the base construction costs has been applied which is representative of the proposal and the brownfield nature of the site.

Other S106/Planning Obligations/Community Infrastructure Levy (CIL)

- 6.15 The council found that it would be unviable to charge a CIL on this typology within this zone (Zone 4). Therefore, no CIL allowance is included. If other S106 requirements become known during the determination of the planning application, these should be included within any updated assessment of viability.

Sales and Marketing

- 6.16 Sales and marketing allowances for specialist housing proposals for older people are widely acknowledged to differ substantially from mainstream housing. This is due to the restricted occupancy and longer than average sales periods often extending over several years. A dedicated sales staff will be present on site from pre completion to end of sale supported by regional and head office marketing teams. The overall allowance must also cover online marketing, promotional events and local agent engagement.
- 6.17 A combined rate of 5% of sales revenue for sales and marketing costs has been assumed as supported by a number of recent appeal decisions.⁴
- 6.18 Legal fees associated with the sale of each property is assumed at £750 per unit as standard.

Sales Rate

- 6.19 Typical retirement living proposals tend to experience longer than average sales periods due to the nature of the purchaser. The site is located within the applicant's South East region which currently has 21 live selling sites. The average rate of sale across all of these sites is 0.53 sales per month.
- 6.20 The applicant's Hale Lodge development of 39 units sold over a 53 month period (0.7 sales per month) with 50% selling within the first 12 months and 74% within 24 months.
- 6.21 For the purpose of this appraisal, it is assumed that an overall sales rate of broadly 1 sale per month is achieved across a 30 - month period. Within this, it is assumed that 23% of units are sold in month 1 with 50% sold in months 1-12. 75% of sales complete within 24 months. The remaining unit sales are spaced across the outstanding sales period.

⁴ Appeal Ref: 3166677 (Redditch, 2017) and Appeal Ref: 3325034 (Sale, 2023)

- 6.22 These assumptions are considered ambitious considering the current climate and therefore the applicant reserves the right to revisit these assumptions in light of changes in the market which at the time of writing show transaction levels remaining subdued.

Empty Property Costs

- 6.23 Empty property costs are a function of council tax payable on finished unsold and empty property as well as service charges and other charges, which must be paid owing to longer than average sales periods for this type of proposal. The inclusion of EPCs within viability appraisals has been agreed with local planning authorities and their assessors on similar proposals throughout the country.
- 6.24 It is considered reasonable to include such costs within the viability appraisal as they are an unavoidable cost associated with the development of retirement living flatted schemes. The NPPG is clear at paragraph 007 that where types of development are proposed which may significantly differ from standard models of development (e.g. housing for older people), the particular viability considerations can be taken into account by decision makers. EPCs are a particular cost associated with this form of development.
- 6.25 A breakdown of the empty property costs associated with this development is included below and applied to the Argus cashflow to accurately link to the assumed sales rate and finance costs. The average rates shown are charged on unsold properties on a monthly basis. The applicant reserves the right to update these allowances once the council confirms its position in respect of empty homes premium which if applied, will result in a higher allowance than currently assumed.

EMPTY PROPERTY COSTS - RUSTINGTON			
Average Cost Per Month Applied to Argus Appraisal Empty Property Cost Cashflow			
1 bed apartments		units	Total
Service charge	£ 208.75	19	£ 3,966.25
Council Tax (C)	£ 170.85	19	£ 3,246.21
Utilities	£ 25.00	19	£ 475.00
Average	£ 404.60	19	£ 7,687.46
2 bed apartments/3 beds/cottages		units	Total
Service charge	£ 309.25	12	£ 3,711.00
Council Tax (D)	£ 192.21	12	£ 2,306.51
Utilities	£ 25.00	12	£ 300.00
Average	£ 526.46	12	£ 6,317.51

Table 3 – Summary of Empty Property Costs Monthly Payments

Finance Costs

- 6.26 An overall debit rate of 8.0% is applied and this has been included in this submission. A credit rate of 1.0% has been assumed. No arrangement fee has been allowed for in the appraisal as it is assumed to be incorporated within the overall debit rate. It is widely reported at the time of writing that average development lending rates are now in excess of 10%.

Land Acquisition Costs

- 6.27 Stamp duty is applied at the current HMRC variable rates as updated in April 2016.
- 6.28 Land purchase legal fees at 0.75% of the land value on purchase and Acquisition Agent fees at 1% of the land value are assumed as standard.

Developers Return

- 6.29 As set out, the NPPG is clear that potential risk is accounted for in the assumed return for development assumed at between 15-20% of gross development value for plan making purposes but alternative figures may be appropriate for different development types and typologies.
- 6.30 An acceptable return for risk in respect of retirement living proposals such as this not less than 20% of gross development value. This is consistent with the plan wide viability study.
- 6.31 This is consistent with the Inspector conclusions for the McCarthy and Stone proposal at Redditch (Appeal Ref: 3166677), the Churchill Retirement Living proposal at Cheam (Appeal Ref: 3159137) and the Churchill Retirement Living scheme at West Bridgford (Appeal Ref: 3229412) in 2019. The consistent findings in these appeal decisions were:
- There are a number of inherent sector specific risks with this form of development which materially differ to that of general needs housing including an inability to phase and allow for risk reappraisal.
 - Retirement living housing must be fully completed and operationally ready before sales commences as older people are less likely to buy 'off plan' without seeing for example the benefit of the communal facilities.
 - The above provides a slower return on investment and a longer period of uncertainty in the market and cost exposure. This risk is particularly pronounced in periods of market uncertainty when sales rates are slow. This is the case in the current market where we are seeing access to development finance tightening with lenders increasing borrowing rates and demanding higher coverage in the form of higher developer returns.

- A restricted occupancy also limits the marketability of such housing in comparison to general needs development. The sector does not benefit from Government incentives such as First Homes. A slow down in the wider market also means that sales for older persons housing also slow down given that such sales are often at the end of a much longer chain. We are now seeing sales transactions across the wider market slow considerably as a result of increased mortgage rates and affordability issues for prospective purchasers across the market.
- The NPPG recognises that viability for older peoples housing differs from general needs housing (NPPG Paragraph 007) and that it is appropriate for local planning authorities to recognise this at both the plan making and decision taking level.

Timing Assumptions

6.32 The following timing assumptions are made for the viability appraisal:

Timescale	Duration	Commences
Acquisition	1	Jul 2024
Pre-Construction	6	Aug 2024
Construction	15	Feb 2025
Sale	30	May 2026
Total Duration	52	

6.33 A copy of the financial viability appraisal (FVA) for a 100% open market appraisal is included at Appendix 5 and summarised within Section 7.

Benchmark Land Value

6.34 In assessing the viability of the site, a key benchmark is site value. For planning viability assessment purposes, the starting position should be the existing use 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+).⁵

⁵ <https://www.gov.uk/guidance/viability> (reference 10-013-20190509)

- 6.35 In this case the existing site contains a mix of existing uses. The public house and residential accommodation above as well as number 34 which is a residential property and garden in separate ownership.
- 6.36 The existing public house business is in decline. Previous efforts by the current owner to sell the business failed. The accompanying Savills marketing report submitted as part of this planning application confirms that in their professional opinion, the existing business cannot be made viable given the significant capital cost required.
- 6.37 It is understood that there was interest from a hotel operator in redeveloping the site for hotel use and a planning approval was obtained the proposal. The hotel consent for the site has not come forward for unknown reasons but it remains extant.
- 6.38 In the case of the public house element therefore, the minimum value to the owner will be required to be assessed in relation to alternative uses given that if the current use ceases, the vendor will not release the land without considering optimum uses for the site. There is an existing 4-bedroom residential unit above the existing business, and it may be feasible to convert the public house element with the necessary consents into additional residential accommodation. More likely, given the size of the public house and grounds (0.25 hectares), is that a redevelopment may take place to make better use of the car park and garden areas.
- 6.39 An alternative use scheme of houses has been examined with detail provided at Appendix 6 of this Statement. This concludes an alternative use value of £645,000 for the public house element. It is considered that this is a conservative assessment of the value of this element of the site.
- 6.40 Number 34 is an existing residential property under separate ownership. Local agent advice has been sought in respect of the market value of the property in its existing use and without value associated with wider redevelopment proposals. An existing use value of £450,000 has been advised. Given the owner of this property has been approached directly by the applicant and the property was not on the market, it is appropriate to add an owner incentive in line with the PPG. A midpoint 20% premium is deemed appropriate in this instance given the general restrictions the owners of the property would be subject to as part of such an arrangement. The benchmark land value for the residential element is £540,000.
- 6.41 The combined site benchmark land value is therefore assumed to be £1,185,000 and applied to the viability consideration accordingly. This is considered to be the absolute minimum threshold below which it is considered the site would not be secured for redevelopment.

VIABILITY APPRAISAL OUTPUT AND CONCLUSIONS

- 7.1 The outputs of the financial appraisals with 0% affordable housing are summarised below for ease of reference. For any sum to be viable, the residual land value of the proposal must be higher than the benchmark land value. See Appendix 5 for the full appraisal.

	100% Open Market Scheme	
Open Market Sales	£11,240,000	£5,647 m2 (blended)
Base Construction Cost	£4,733,632	£1,532 - £1,836 m2
External Build Costs	£473,363	10% base
Contingency	£280,527	5% base
Extra Over Build Costs	£320,000	Scheme Specific
Professional Fees	£561,055	10% base
CIL/S106	£0	Scheme Specific
Marketing	£337,200	3% GDV
Disposal Costs	£248,050	2% GDV
Unsold Unit Fees	£97,762	Scheme Specific
Finance	£666,102	8%/1%
Acquisition Costs	£65,458	As Standard
Total Cost Outlay	£8,992,003	
Profit	£2,247,997	20% GDV
Residual Land Value	£1,125,304	
Benchmark Land Value	£1,185,000	EUV/AUV
Surplus/Deficit	-£59,696	

Table 4 – Summary of Viability Appraisal Outputs

- 7.2 In this case, applying the fully evidenced inputs and assumptions to the viability appraisal, the residual land value generated shows no financial headroom for affordable housing contributions. If contributions are added to the appraisal the land value deficit increases and the proposal would be unviable for the applicant to take forward.
- 7.3 A planning permission is typically implementable for three years post approval during which time the applicant would seek to ensure a viable proposal could be implemented.

Sensitivity Testing

- 7.4 As required by the RICS Conduct and Reporting professional statement, sensitivity testing of the appraisal has been undertaken. Stepped increases and decreases of 2.5% in sales revenue and build costs are analysed and a summary of impact of residual land value is presented.

Construction: Rate /m²								
Sales: Rate /m²	-7.500%	-5.000%	-2.500%	0.000%	2.500%	5.000%	7.500%	10.000%
-7.500%	-1,003,382	-875,805	-748,230	-620,654	-493,079	-365,503	-237,579	-105,456
	-1,003,382	-875,805	-748,230	-620,654	-493,079	-365,503	-237,579	-105,456
-5.000%	-1,171,596	-1,044,023	-916,446	-788,870	-661,295	-533,719	-406,144	-278,568
	-1,171,596	-1,044,023	-916,446	-788,870	-661,295	-533,719	-406,144	-278,568
-2.500%	-1,339,812	-1,212,237	-1,084,663	-957,087	-829,511	-701,935	-574,360	-446,784
	-1,339,812	-1,212,237	-1,084,663	-957,087	-829,511	-701,935	-574,360	-446,784
0.000%	-1,508,028	-1,380,453	-1,252,877	-1,125,304	-997,727	-870,151	-742,576	-615,000
	-1,508,028	-1,380,453	-1,252,877	-1,125,304	-997,727	-870,151	-742,576	-615,000
2.500%	-1,676,244	-1,548,669	-1,421,093	-1,293,518	-1,165,945	-1,038,368	-910,792	-783,216
	-1,676,244	-1,548,669	-1,421,093	-1,293,518	-1,165,945	-1,038,368	-910,792	-783,216
5.000%	-1,844,460	-1,716,884	-1,589,309	-1,461,734	-1,334,158	-1,206,587	-1,079,009	-951,432
	-1,844,460	-1,716,884	-1,589,309	-1,461,734	-1,334,158	-1,206,587	-1,079,009	-951,432
7.500%	-2,012,675	-1,885,100	-1,757,525	-1,629,949	-1,502,374	-1,374,799	-1,247,228	-1,119,650
	-2,012,675	-1,885,100	-1,757,525	-1,629,949	-1,502,374	-1,374,799	-1,247,228	-1,119,650
10.000%	-2,180,891	-2,053,316	-1,925,741	-1,798,165	-1,670,590	-1,543,015	-1,415,439	-1,287,864
	-2,180,891	-2,053,316	-1,925,741	-1,798,165	-1,670,590	-1,543,015	-1,415,439	-1,287,864

Table 5 – Sensitivity Analysis

- 7.5 In order to provide context to the sensitivity analysis it is necessary to examine likely movements in build cost and sales values noting that these are forecasts which may be impacted by currently unknown factors.
- 7.6 In relation to build cost, the BCIS quarterly briefing (June 2024) outlines its expectations for the industry. Cumulatively, from 2024 – 2027, tender prices are forecast to increase by 10.1% above current levels or 18% over the period to 2029.

Table 10: BCIS forecast of tender prices

Period	Forecast
2Q2023 to 2Q2024	+2.3%
2Q2024 to 2Q2025	+3.1%
2Q2025 to 2Q2026	+3.7%
2Q2026 to 2Q2027	+3.3%
2Q2027 to 2Q2028	+3.9%
2Q2028 to 2Q2029	+4.0%

BCIS Forecast of Tender Price Index Growth to 2029

- 7.7 In terms of values, Savills and Knight Frank forecast modest house price growth in 2024 with projected increases of 9% of the next 3 years or 18% to the end of 2028⁶.
- 7.8 The RICS Housing Market Survey⁷ June 2024 points to an improvement from the downward trajectory and market sentiment of the last 12 months with sales enquires up. However,

⁶ [Savills UK | Residential Property Market Forecasts](#)

⁷ [June-2024-RICS-UK-Residential-Market-Survey.pdf](#)

buyer demand continues in the slightly negative territory and national house prices are still seeing downward pressure. For house prices, the headline net balance remained unchanged compared to last month, coming in at -17% once again. Near term price expectation has improved marginally.

7.9 In summary, forecasts over the next 3 years suggest that build cost inflation will continue to outpace inflation in house prices albeit with an improving market sentiment which is highly sensitive to continued inflated borrowing costs.

7.10 It is concluded that the assumptions within the FVA are appropriately balanced and are not overly pessimistic given the current and forecasted movements in costs and values.

APPENDICES

Appendix 1 – Accommodation Schedule

Floor	Flats				1bed/ 2person 1B2P	2bed
	G	1 = 52.20	m² =	561.9 ft²	☐	
	G	2 = 52.20	m² =	561.9 ft²	☐	
	G	3 = 52.20	m² =	561.9 ft²	☐	
	G	4 = 75.60	m² =	813.8 ft²		☐
	G	5 = 52.50	m² =	565.1 ft²	☐	
	G	6 = 78.50	m² =	845.0 ft²		☐
	G	7 = 43.10	m² =	463.9 ft²	☐	
	G	8 = 78.50	m² =	845.0 ft²		☐
	G	9 = 52.50	m² =	565.1 ft²	☐	
	1	10 = 87.40	m² =	940.8 ft²		☐
	1	11 = 52.20	m² =	561.9 ft²	☐	
	1	12 = 52.20	m² =	561.9 ft²	☐	
	1	13 = 52.20	m² =	561.9 ft²	☐	
	1	14 = 52.20	m² =	561.9 ft²	☐	
	1	15 = 52.20	m² =	561.9 ft²	☐	
	1	16 = 52.20	m² =	561.9 ft²	☐	
	1	17 = 75.60	m² =	813.8 ft²		☐
	1	18 = 52.50	m² =	565.1 ft²	☐	
	1	19 = 87.40	m² =	940.8 ft²		☐
	1	20 = 43.10	m² =	463.9 ft²	☐	
	2	21 = 91.90	m² =	989.2 ft²		☐
	2	22 = 67.30	m² =	724.4 ft²	☐	
	2	23 = 44.50	m² =	479.0 ft²	☐	
	2	24 = 52.20	m² =	561.9 ft²	☐	
	2	25 = 52.20	m² =	561.9 ft²	☐	
	2	26 = 52.20	m² =	561.9 ft²	☐	
	2	27 = 80.50	m² =	866.5 ft²		☐
	2	28 = 88.10	m² =	948.3 ft²		☐
Cottage	G	29 = 51.90	m² =	558.6 ft²		
Cottage	1	29 = 38.90	m² =	418.7 ft²		
Cottage	G	30 = 52.00	m² =	559.7 ft²		
Cottage	1	30 = 35.10	m² =	377.8 ft²		
Cottage	G	31 = 52.00	m² =	559.7 ft²		
Cottage	1	31 = 35.10	m² =	377.8 ft²		
Ground floor					6	3
First floor					8	3
Second floor					5	3

		Total	1B2P 19	2B2P 9
Parking spaces	14			
Battery cars	5		51.68	82.61

Amenity areas

Owner's Lounge =	79	m² =	850.3	ft²
Main Entrance =	5	m² =	53.8	ft²
Reception =	4.6	m² =	49.5	ft²
Office =	6.7	m² =	72.1	ft²
Guest =	29.5	m² =	317.5	ft²
Coffee Bar =	9.9	m² =	106.6	ft²
Refuse (External) =	27.8	m² =	299.2	ft²
Mobility Scooters =	9.6	m² =	103.3	ft²
WC =	4.1	m² =	43.9	ft²
Lifts & Plant - G =	8.4	m² =	90.4	ft²
Lift/Plnt- 1st =	12.6	m² =	135.6	ft²
Lift/Plnt/Ut - 2nd =	9	m² =	96.9	ft²
Storage =	5.4	m² =	58.1	ft²
Stair 1 =				
total =	33.4	m² =	359.5	ft²
Stair 2 =				
total =	33.4	m² =	359.5	ft²
Corridor				
G =	81	m² =	871.9	ft² m
1st =	77.6	m² =	835.3	ft² m
2nd =	59.2	m² =	637.2	ft² m
	458.8	m² =	4938.3	ft²

Gross area internal

G =	818.5	m² =	8810.3	ft²
1st =	818.5	m² =	8810.3	ft²
2nd =	720.0	m² =	7750.0	ft²
Cottage G =	155.9	m² =	1678.1	ft²
Cottage F =	120.3	m² =	1294.9	ft²
	2357.0	m² =	25370.5	ft²

Gross area external

G =	867.8	m² =	9340.9	ft²	perimeter (m)
1st =	867.8	m² =	9340.9	ft²	142.2
2nd =	757.6	m² =	8154.7	ft²	163.8
Cottages G =	184.6	m² =	1987.0	ft²	55.7
Cottages 1 =	137.3	m² =	1477.9	ft²	53.7
	2493.2	m² =	26836.6	ft²	

Saleable/Amenity/Structure

Saleable Area	1725.4	m² =	18572.1	ft²	73.20 %
Amenity Area	458.8	m² =	4938.3	ft²	19.46 %
Structure	172.8	m² =	1860.2	ft²	7.33 %
Gross Site Area	3095.5	m² =	33319.7	ft²	
Soft landscape Area	1122.4	m² =	12081.4	ft²	
Hard Landscape Area	920.7	m² =	9910.3	ft²	

scheme based on A-type flats

Appendix 2 – Sales Values Analysis

Hale Lodge Sales Comparable Data

No	Address	Postcode	Date sold	Sold price	Estimated nr	New build	Designation	Category	Subca	No. of bedrc	Floor area nr	Price per m²	Market price	Tenure
	1 Flat 20, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	30/11/2022	260000	242407	TRUE	Residential	House	Flat	1	46	5652.17	5269.72	Leasehold
	5 Flat 28, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	30/06/2022	272950	266437	TRUE	Residential	House	Flat	1	48	5686.46	5550.77	Leasehold
	13 Flat 32, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2022	281950	275222	TRUE	Residential	House	Flat	1	53	5319.81	5192.87	Leasehold
	14 Flat 11, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	31/05/2022	299950	292792	TRUE	Residential	House	Flat	1	48	6248.96	6099.83	Leasehold
	15 Flat 35, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	27/05/2022	280950	274246	TRUE	Residential	House	Flat	1	60	4682.5	4570.77	Leasehold
	16 Flat 22, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/04/2022	277950	272946	TRUE	Residential	House	Flat	1	48	5790.63	5686.38	Leasehold
	17 Flat 26, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	27/04/2022	252000	247463	TRUE	Residential	House	Flat	1	45	5600	5499.18	Leasehold
	18 Flat 34, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	31/03/2022	263450	256780	TRUE	Residential	House	Flat	1	53	4970.75	4844.91	Leasehold
	19 Flat 24, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	25/02/2022	263450	259095	TRUE	Residential	House	Flat	1	49	5376.53	5287.65	Leasehold
	21 Flat 10, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	22/11/2021	294950	294725	TRUE	Residential	House	Flat	1	53	5565.09	5560.85	Leasehold
	23 Flat 14, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	30/06/2021	264950	268436	TRUE	Residential	House	Flat	1	48	5519.79	5592.42	Leasehold
	24 Flat 18, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	30/06/2021	263950	267423	TRUE	Residential	House	Flat	1	47	5615.96	5689.85	Leasehold
	25 Flat 7, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2021	262950	266410	TRUE	Residential	House	Flat	1	47	5594.68	5668.3	Leasehold
	27 Flat 38, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	25/06/2021	380000	385000	TRUE	Residential	House	Flat	2	69	5507.25	5579.71	Leasehold
	29 Flat 17, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	09/04/2021	309950	322004	TRUE	Residential	House	Flat	1	60	5165.83	5366.73	Leasehold
	35 Flat 29, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	28/02/2020	274347	310850	TRUE	Residential	House	Flat	1	51	5379.35	6095.1	Leasehold
	36 Flat 37, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	31/10/2019	272950	302904	TRUE	Residential	House	Flat	1	49	5570.41	6181.71	Leasehold
	45 Flat 16, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	22/05/2019	424950	475051	TRUE	Residential	House	Flat	2	84	5058.93	5655.37	Leasehold
	46 Flat 9, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	03/05/2019	233950	261533	TRUE	Residential	House	Flat	1	46	5085.87	5685.5	Leasehold
	47 Flat 2, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	30/04/2019	256450	288638	TRUE	Residential	House	Flat	1	48	5342.71	6013.29	Leasehold
	48 Flat 30, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	28/02/2019	267950	300643	TRUE	Residential	House	Flat	1	61	4392.62	4928.57	Leasehold
	49 Flat 21, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	28/02/2019	277950	311863	TRUE	Residential	House	Flat	1	53	5244.34	5884.21	Leasehold
	50 Flat 19, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	22/02/2019	344950	387038	TRUE	Residential	House	Flat	2	70	4927.86	5529.11	Leasehold
	51 Flat 31, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	31/01/2019	272950	304538	TRUE	Residential	House	Flat	1	44	6203.41	6921.32	Leasehold
	59 Flat 3, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	337950	371802	TRUE	Residential	House	Flat	2	70	4827.86	5311.46	Leasehold
	60 Flat 5, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	335950	369602	TRUE	Residential	House	Flat	2	76	4420.39	4863.18	Leasehold
	61 Flat 25, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	335950	369602	TRUE	Residential	House	Flat	2	69	4868.84	5356.55	Leasehold
	62 Flat 4, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	316950	348699	TRUE	Residential	House	Flat	2	63	5030.95	5534.9	Leasehold
	63 Flat 12, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	342950	377303	TRUE	Residential	House	Flat	2	70	4899.29	5390.04	Leasehold
	64 Flat 15, Hale Lodge, 35, Fitzalan Road, Littlehampton, West Sussex BN17 5ET	BN17 5ET	29/06/2018	299950	329996	TRUE	Residential	House	Flat	2	63	4761.11	5238.03	Leasehold
									Average			4406.224	4638.367	

MS Goring Road (asking prices)

Plot	Asking	Area	Beds	
6	£415,000	72	2	£5,763.89
10	£350,000	55	1	£6,363.64
17	£250,000	44	1	£5,681.82
20	£320,000	57	1	£5,614.04
23	£350,000	55	1	£6,363.64
24	£350,000	52	1	£6,730.77
27	£445,000	72	2	£6,180.56
34	£465,000	62	2	£7,500.00
35	£470,000	71	2	£6,619.72
36	£330,000	52	1	£6,346.15

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 29-Jun-2024 07:33

Rebased to Arun (107; sample 13)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810.1 Estate housing								
Generally (15)	1,643	843	1,391	1,578	1,800	5,635	1411	
Single storey (15)	1,868	1,101	1,573	1,791	2,048	5,635	235	
2-storey (15)	1,582	843	1,364	1,532	1,733	3,418	1095	
3-storey (15)	1,713	1,016	1,438	1,648	1,958	3,316	76	
4-storey or above (15)	3,429	1,666	2,756	3,077	4,580	5,068	5	
843. Supported housing								
Generally (15)	2,073	1,052	1,720	1,917	2,296	4,192	130	
Single storey (15)	2,443	1,490	1,905	2,371	2,551	4,192	13	
2-storey (15)	2,086	1,064	1,710	1,880	2,428	3,649	44	
3-storey (15)	1,914	1,052	1,722	1,836	2,111	2,841	44	
4-storey or above (15)	2,116	1,293	1,696	1,969	2,151	4,053	26	
843.1 Supported housing with shops, restaurants or the like (15)	1,982	1,255	1,663	1,877	2,150	3,308	36	

Appendix 4 – Extra Over Build Costs

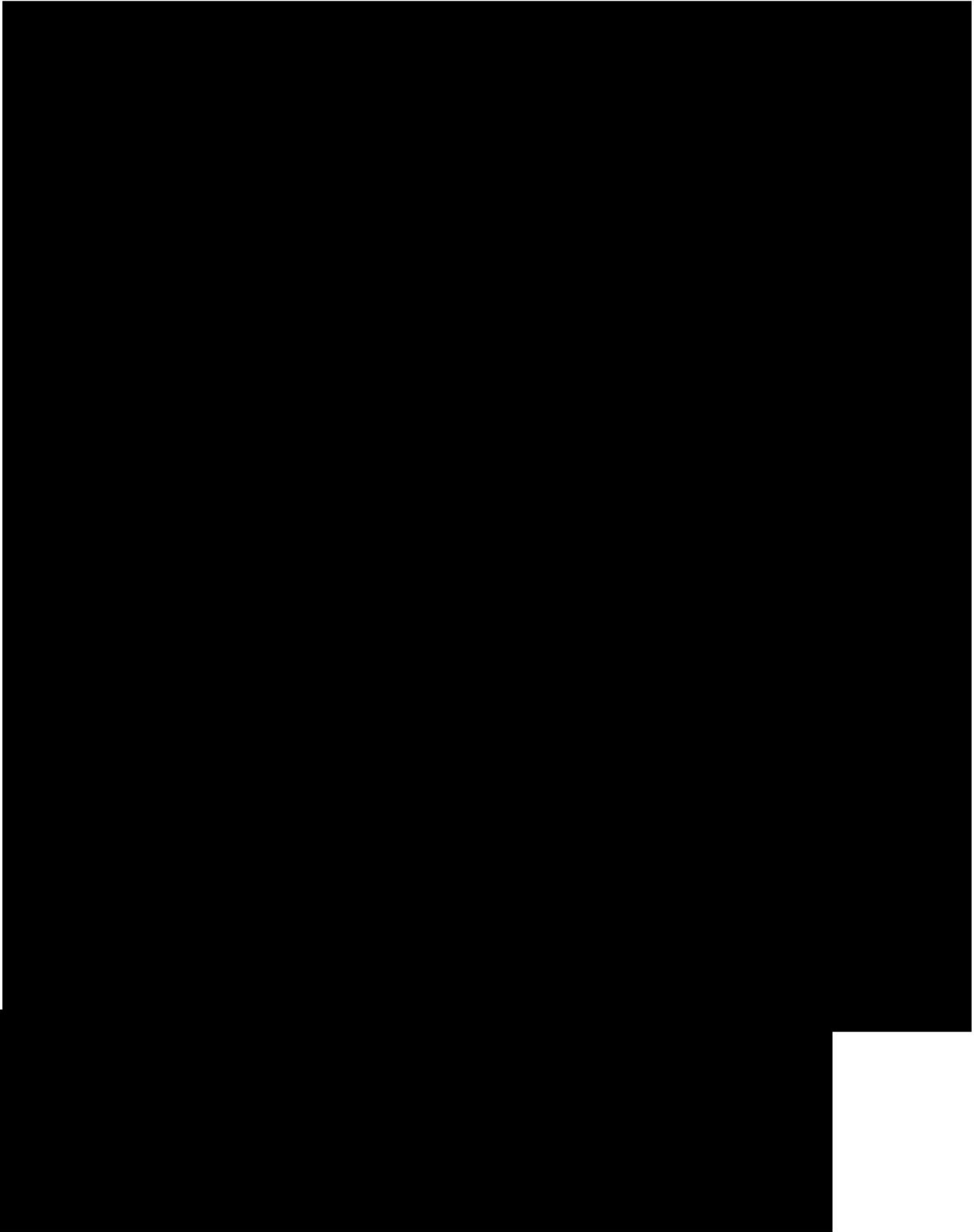
Rustington Extra Over Costs

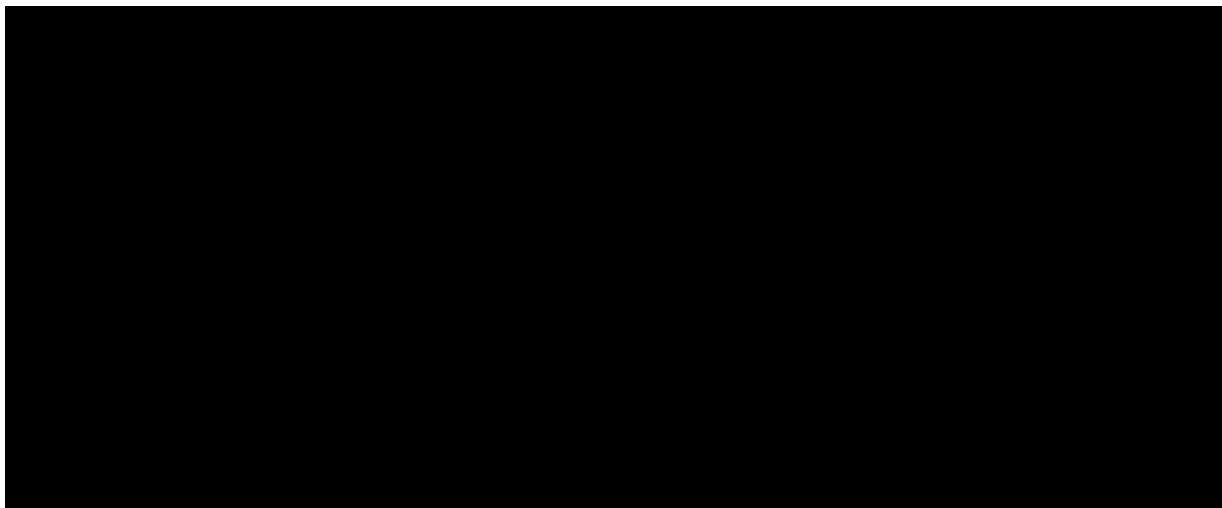
	Quant	UOM	Rate	Total	Comment
LAND					
E/O Demolition	1	item			demolition of all buildings on site and removal.
Fill existing cellar	120	m ³			existing cellar works to fill in and make good.
CFA Piling	868	m ³			ground report highlights requirement for piling for larger apartment block but not cottages.
Piling mat	911	m ³			in conjunction with above
Piling attendance	5	weeks			in conjunction with above
Capping layer of soils	106	m ³			50 depth over car park area in line with GI report.
Contamination - E/O for non hazardous waste.	1	item			previous Commercial Use requires low level ground clean up as per GI report.

Appendix 5 – FVA Argus Appraisal 100% Open Market Proposal

Windmill Mill Ln Rustington (26 +3) 0% AH SUB

Windmill Mill Ln Rustington (26 +3) 0% AH SUB





Appendix 6 – Benchmark Land Value

Rustington Benchmark Land Value

The site is currently made up of an operational public house, associated parking area, large pub garden and a residential property at number 34 under separate ownership.

The public house business has been in decline for a number of years and the independently prepared viability report accompanying this planning application concludes that this business is no longer financially viable. Assigning a value based upon the existing public house use is therefore difficult.

The owners of the public house have already examined redevelopment options including options for hotel and restaurant uses (planning approval secured in 2022). However, this alternative use has not been implemented.

It is clear that as a landowner acting rationally, the existing owner will seek dispose of the property for the use which secures the maximum return and this will include consideration of alternative uses on the site.

The NPPG sets out the following in relation to consideration of alternative uses to inform benchmark land value:

Can alternative uses be used in establishing benchmark land value?

For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

See related policy: National Planning Policy Framework [paragraph 57](#)

Paragraph: 017 Reference ID: 10-017-20190509

Revision date: 09 05 2019 See [previous version](#)

The NPPG states that consideration of alternative uses may be informative but may only be applied to uses which would be policy compliant. Additionally, such uses must be capable of implementation on the site (including market demand) and an explanation must be provided as to why such alternative uses have not come forward. Costs and values must also be evidenced accordingly.

The applicant has considered a residential alternative use scheme of lower density than that proposed. A layout is provided on the following page demonstrating this scheme.



The proposal follows the approach of application proposal with a terrace of 3 properties to the rear together with 2 further terraces fronting Mill Lane. 8 3-bedroom properties may be provided with sufficient parking and private amenity provision. Access is taken through the existing car park with sufficient and appropriate distances achieved away from existing properties.

Table 26: Estimated Size of Dwellings Required 2011 to 2031 – Market Housing

Size	2011	2031	Additional households 2011-2031	% of additional households
1 bedroom	6,423	7,315	892	9.2%
2 bedrooms	19,568	23,856	4,288	44.2%
3 bedrooms	23,081	26,590	3,509	36.2%
4+ bedrooms	11,288	12,299	1,011	10.4%
Total	60,360	70,060	9,700	100.0%

Source: Housing Market Model

The council's evidence of housing needs for market housing demonstrates a significant demand for this type of housing over the local plan period. The site is a brownfield site within the built-up area of Rustington and is considered suitable for a development of this nature. The following table sets out the inputs and assumptions applied to the residual valuation of the proposal.

Input	Comments
Proposal	8 × 3 bedroom properties extending to circa 90 m2 apiece over 2 storeys. 6 semi detached and 2 mid terrace.
Values	e.g. Bradbury Close to the east (BN16 3FJ) sold in 2018 newbuild and Verbena Drive (BN16 4PT), terraces and semi detached houses extending 84-90 m2. Index uplifted values £390,000 - £410,000.
Cost	Extra Over Costs of £132,000 (demolition and remediation costs). Piling not required for this lower density form.
Professional Fees	10% of build cost.
Community Infrastructure Levy	Estimated Liability of £40,000 £114.07 m2
Sales and Marketing	3% of Gross Development Value plus £750 legal fees per unit
Programme	6 month pre construction 12 months construction Sales 5 months for 8 units
Finance	
Profit	17.5% GDV This is a comparatively lower risk development capable of phasing.

Acquisition Costs

Residual Land Value

Comparable Sales Data

No	Address	Postcode	Date sold	Sold price	Estimated market value	New build	Designation	Category	Subcategory	Floor area	n	Price per m ²	Market price	Tenure
5	24, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	19/06/2023	419995	440426	TRUE	Residential	House	Semi_Detached	90		4666.61	4893.62	Freehold
9	20, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	16/03/2023	419995	419717	TRUE	Residential	House	Semi_Detached	90		4666.61	4663.52	Freehold
15	11, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	25/11/2022	427495	416994	TRUE	Residential	House	Semi_Detached	90		4749.94	4633.27	Freehold
19	10, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	30/09/2022	437495	432621	TRUE	Residential	House	Semi_Detached	90		4861.06	4806.9	Freehold
20	12, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	30/09/2022	437495	432621	TRUE	Residential	House	Semi_Detached	90		4861.06	4806.9	Freehold
21	6, Holmwood Way, Angmering, Littlehampton, West Sussex BN16 4QT	BN16 4QT	24/06/2022	429995	447800	TRUE	Residential	House	Semi_Detached	90		4777.72	4975.56	Freehold
50	43, Jackson Way, Wick, Littlehampton, West Sussex BN17 7SF	BN17 7SF	29/03/2019	330995	409697	TRUE	Residential	House	Detached	90		3677.72	4552.19	Freehold
61	47, Jackson Way, Wick, Littlehampton, West Sussex BN17 7SF	BN17 7SF	14/12/2018	338995	412407	TRUE	Residential	House	Detached	90		3766.61	4582.3	Freehold
67	45, Jackson Way, Wick, Littlehampton, West Sussex BN17 7SF	BN17 7SF	17/09/2018	341995	413881	TRUE	Residential	House	Detached	90		3799.94	4598.68	Freehold
6	52, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	31/05/2023	400000	407891	TRUE	Residential	House	Detached	91		4395.6	4482.32	Freehold
7	39, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	19/05/2023	395000	402793	TRUE	Residential	House	Detached	91		4340.66	4426.3	Freehold
8	19, Fawcett Grove, Wick, Littlehampton, West Sussex BN17 7TF	BN17 7TF	06/04/2023	405000	405000	TRUE	Residential	House	Detached	91		4450.55	4450.55	Freehold
10	12, Fawcett Grove, Wick, Littlehampton, West Sussex BN17 7TF	BN17 7TF	21/02/2023	405000	397574	TRUE	Residential	House	Detached	91		4450.55	4368.95	Freehold
12	48, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	22/12/2022	405000	392942	TRUE	Residential	House	Detached	91		4450.55	4318.04	Freehold
14	28, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	15/12/2022	400000	388091	TRUE	Residential	House	Detached	91		4395.6	4264.74	Freehold
17	24, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	24/11/2022	405000	390666	TRUE	Residential	House	Detached	91		4450.55	4293.03	Freehold
18	50, Kenney Drive, Wick, Littlehampton, West Sussex BN17 7TA	BN17 7TA	18/11/2022	405000	390666	TRUE	Residential	House	Detached	91		4450.55	4293.03	Freehold
29	3, Acacia Crescent, Angmering, Littlehampton, West Sussex BN16 4QA	BN16 4QA	04/12/2020	345000	396997	TRUE	Residential	House	Terraced	94		3670.21	4223.37	Freehold
30	5, Acacia Crescent, Angmering, Littlehampton, West Sussex BN16 4QA	BN16 4QA	25/09/2020	347500	414197	TRUE	Residential	House	Terraced	94		3696.81	4406.35	Freehold
33	7, Acacia Crescent, Angmering, Littlehampton, West Sussex BN16 4QA	BN16 4QA	09/07/2020	350000	433801	TRUE	Residential	House	Semi_Detached	94		3723.4	4614.9	Freehold
34	9, Acacia Crescent, Angmering, Littlehampton, West Sussex BN16 4QA	BN16 4QA	26/06/2020	350000	421055	TRUE	Residential	House	Terraced	94		3723.4	4479.31	Freehold
35	10, Lavender Way, Angmering, Littlehampton, West Sussex BN16 4QD	BN16 4QD	31/03/2020	339000	412989	TRUE	Residential	House	Terraced	94		3606.38	4393.5	Freehold
37	2, Lavender Way, Angmering, Littlehampton, West Sussex BN16 4QD	BN16 4QD	04/12/2019	350000	426618	TRUE	Residential	House	Terraced	94		3723.4	4538.49	Freehold
39	8, Lavender Way, Angmering, Littlehampton, West Sussex BN16 4QD	BN16 4QD	21/11/2019	347500	418517	TRUE	Residential	House	Terraced	94		3696.81	4452.31	Freehold
41	6, Lavender Way, Angmering, Littlehampton, West Sussex BN16 4QD	BN16 4QD	25/10/2019	350000	420515	TRUE	Residential	House	Terraced	94		3723.4	4473.56	Freehold
42	4, Lavender Way, Angmering, Littlehampton, West Sussex BN16 4QD	BN16 4QD	25/10/2019	350000	420515	TRUE	Residential	House	Terraced	94		3723.4	4473.56	Freehold
48	8, Sage Place, Angmering, Littlehampton, West Sussex BN16 4PZ	BN16 4PZ	13/05/2019	335000	407850	TRUE	Residential	House	Terraced	94		3563.83	4338.83	Freehold
62	6, Sage Place, Angmering, Littlehampton, West Sussex BN16 4PZ	BN16 4PZ	30/11/2018	360000	433496	TRUE	Residential	House	Terraced	94		3829.79	4611.66	Freehold
63	4, Sage Place, Angmering, Littlehampton, West Sussex BN16 4PZ	BN16 4PZ	30/11/2018	360000	433496	TRUE	Residential	House	Terraced	94		3829.79	4611.66	Freehold
65	2, Sage Place, Angmering, Littlehampton, West Sussex BN16 4PZ	BN16 4PZ	23/11/2018	365500	440119	TRUE	Residential	House	Terraced	94		3888.3	4682.12	Freehold

Windmill Mill Lane Rustington (8 - AUV) 0% AH

APPRAISAL SUMMARY**CRL****Windmill Mill Lane Rustington (8 - AUV) 0% AH****Appraisal Summary for Phase 1 Retirement Housing**

Currency in £

REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
3 bed houses	8	720.00	4,416.67	397,500	3,180,000

NET REALISATION**3,180,000****OUTLAY****ACQUISITION COSTS**

Residualised Price			645,687		
				645,687	
Stamp Duty			21,784		
Effective Stamp Duty Rate		3.37%			
Agent Fee		1.00%	6,457		
Legal Fee		0.75%	4,843		
				33,084	

CONSTRUCTION COSTS

Construction	m²	Build Rate m²	Cost		
3 bed houses	720.00	1,532.00	1,103,040		
Developers Contingency		5.00%	71,962		
Extra Over Costs			131,950		
				1,306,952	

Other Construction Costs

Externals		15.00%	165,456		
				165,456	

Section 106 Costs

CIL			40,000		
FHS	8.00 un	4,850.00 /un	38,800		
				78,800	

PROFESSIONAL FEES

Architect		10.00%	126,850		
				126,850	

MARKETING & LETTING

Marketing		2.00%	63,600		
				63,600	

DISPOSAL FEES

Sales Agent Fee		1.00%	31,800		
Sales Legal Fee	8.00 un	750.00 /un	6,000		
				37,800	

TOTAL COSTS BEFORE FINANCE**2,458,229****FINANCE**

Timescale	Duration	Commences
Acquisition	1	Jul 2024
Pre-Construction	6	Aug 2024
Construction	12	Feb 2025
Sale	5	Feb 2026
Total Duration	24	

Debit Rate 8.00%, Credit Rate 1.00% (Nominal)

Land		85,702		
Construction		67,869		
Other		11,700		
Total Finance Cost			165,271	

TOTAL COSTS**2,623,500****PROFIT****556,500****Performance Measures**

Profit on Cost%	21.21%
Profit on GDV%	17.50%

Windmill Mill Lane Rustington (8 - AUV) 0% AH

IRR% (without Interest) 30.72%

16 July 2024

Dear Mr M Glackin



Re: 34 Mill Lane, Rustington, Littlehampton, West Sussex, BN16 3JN

Having considered the location and condition of the property, combined with comparable properties that have either been for sale or sold locally within the last 3 months, it is our opinion that the property has an “open market” value. We would stress that no structural survey has been carried out by ourselves and assume that no onerous restrictions exist.

As a company we have unrivalled experience locally in obtaining premium sale prices for our clients and would be happy to give further advice and guidance when you are ready.

We hope this letter provides the information you require and would assure you of our very best attention at all times.

Yours sincerely

Jack Lydon MNAEA
Branch Partner
For and on behalf of
Graham Butt Estate Agents

Residential Sales

Angmering
01903 778877

East Preston
01903 856400

Littlehampton
01903 717177

London Office
0203 3688837

Rustington
01903 772345

Lettings

Lettings
01903 715555

Management
01903 718988