

# For: Brighton & Hove City Council



## Affordable Housing Viability Study FINAL

January 2025

(DSP24874)

**Dixon Searle Partnership**

Ash House, Tanshire Park,  
Shackleford Road, Elstead, Surrey, GU8 6LB

[www.dixonsearle.co.uk](http://www.dixonsearle.co.uk)



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# 1. Introduction & Study Context

## 1.1 Introduction

- 1.1.1. The Brighton & Hove City Council (BHCC) City Plan Part 1 (CPP1) and City Plan Part 2 (CPP2) were adopted in 2016 and 2022 respectively. The City Plan sets out the planning framework for the City to 2030 and includes the Council's planning policy on affordable housing provision.
- 1.1.2. The City Plan Part 1 sets the overarching AH policy (CP20) requiring provision of affordable housing on all sites of 5+ dwellings as follows:-
- Sites of 5-9 dwellings – 20% AH via off-site contribution
  - Sites 10-14 dwellings – 30% AH on-site or via off-site contribution
  - Sites 15+ dwellings – 40% AH on-site.
- 1.1.3. The City Plan Part 2 sets specific requirements for particular types of development relevant to this study, as follows:
- Build to Rent (BTR) – 20% affordable private rent (APR) (Policy DM6)
  - Older persons housing – aligning with CP20 above.
- 1.1.4. The Council also prepared an Affordable Housing Brief (AHB) in 2022 to provide informal guidance for developers on the policy requirements set out in CP20 and how those will be applied at planning application stage. The AHB also provides guidance on the preferred approach to affordable housing tenure and circumstances where commuted sums may be sought.
- 1.1.5. The Council is also preparing an Affordable Housing Planning Advice Note (PAN). This is intended to replace the Affordable Housing Brief with updated and strengthened guidance for developers. It amends the Council's preferred affordable housing tenure split based on updated evidence on affordable housing need provided by the Brighton & Hove Strategic Housing Market Assessment (SHMA) which was undertaken for the Council in 2023.
- 1.1.6. Dixon Searle Partnership (DSP) has therefore been appointed to undertake a detailed assessment (Affordable Housing Viability Study – AHVS) of the viability

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of providing affordable housing as an element of different types of market-led residential development in the city. This evidence is needed to update current affordable housing planning policy and will provide evidence for the ongoing review of the Brighton & Hove City Plan.

- 1.1.7. The AHVS provides advice on the potential viability implications of requesting a range of affordable housing on market-led development sites whilst taking into account known or expected costs of other local or nationally set policy requirements. This includes providing recommendations on the overall likely viable proportion (%) of affordable housing, the tenure mix that can be sought from qualifying sites and any differential approach to policy that may be required.
- 1.1.8. The assessment considers a range of development scenarios reflecting site types likely to come forward across the City, at different scales and densities to consider whether and to what extent a differential approach to affordable housing could be explored, including for specialist forms of development<sup>1</sup> which may in some cases be required to meet affordable housing obligations via financial contributions (off-site delivery).
- 1.1.9. It should be noted however that this report is not a whole plan viability assessment. It allows for policies contained within the adopted City Plans to ensure that the affordable housing requirements are deliverable with other policy costs also taken account of. As per the requirements of the Council's Brief, it also considers the introduction of Biodiversity Net Gain policies nationally and potential Future Homes / net zero development policies moving forward but is limited to those areas. A future City Plan review would need a specific viability assessment covering new policies, site allocations and infrastructure.
- 1.1.10. A strategic development plan should be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying Planning Practice Guidance (PPG) – most recently updated in December 2024 (as this assessment was in the final stages of production). Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development policies contained within them. The key guidance on

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<sup>1</sup> such as Build to Rent, Co-Living, sheltered/retirement, extra-care, student accommodation etc.

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how to address this is within the PPG, while other publications also provide reference sources.

1.1.11. The assessment report is structured and presented over two main sections:-

- Methodology – approach to the study, residual valuation methodology, assumptions basis and discussion.
- Findings Review – overall results review based on findings from the range of development typologies tested.

1.1.12. Viability testing in this context and more widely at plan-making stage does not require a detailed appraisal of every site anticipated to be developed, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature and mix of sites likely to come forward. In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high-level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.

## 1.2 Brighton & Hove – Profile

1.2.1. Brighton & Hove is a tightly constrained, compact city situated between the South Downs National Park and the sea. The physical natural boundaries define and limit the outward expansion of the City and the built up areas account for approximately half the City's geographical area.

1.2.2. The Council's most recent housing needs evidence<sup>2</sup> (2023) suggests a housing need of 810dpa based on the December 2022 NPPF. The analysis suggests a greater need for both social and affordable rented housing compared to affordable home ownership products. Overall, there is a substantial need for affordable housing in the city and the Council are clear that affordable housing delivery should be maximised where opportunities arise, having regard to viability.

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<sup>2</sup> Brighton & Hove Strategic Housing Market Assessment (2023), Icen Projects

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- 1.2.3. The Government have since revised the NPPF (December 2024) which included changes to the standard method for calculating housing need. The result of these changes means the identified housing need is likely to increase and potentially significantly so.
- 1.2.4. We understand the Council's current affordable housing policy is being challenged to some extent via viability assessment at planning application stage and the Council is concerned about the potential effect of this on overall affordable housing delivery. Typically, where site-specific viability challenges have arisen these appear to be linked to high land and construction costs. The Council therefore seeks to understand to what extent the adopted policy position remains viable and how the policy could be updated to maximise affordable housing provision.

## 1.3 National Policy & Guidance

- 1.3.1. The NPPF states that *“The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.”*
- 1.3.2. The national Planning Practice Guidance (PPG), provides more comprehensive information on considering viability. and states:

*“[...] 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 of site or types of development...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.”*

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- 1.3.3. Planning and in particular national policy are constantly evolving processes, with recent years having been especially challenging and uncertain. The updated NPPF (December 2024) makes a number of revisions including a revised standard method for calculating housing need, greater emphasis on delivery social rent, changes to Green Belt development and affordable housing and the introduction of “grey belt<sup>3</sup>” amongst other changes.

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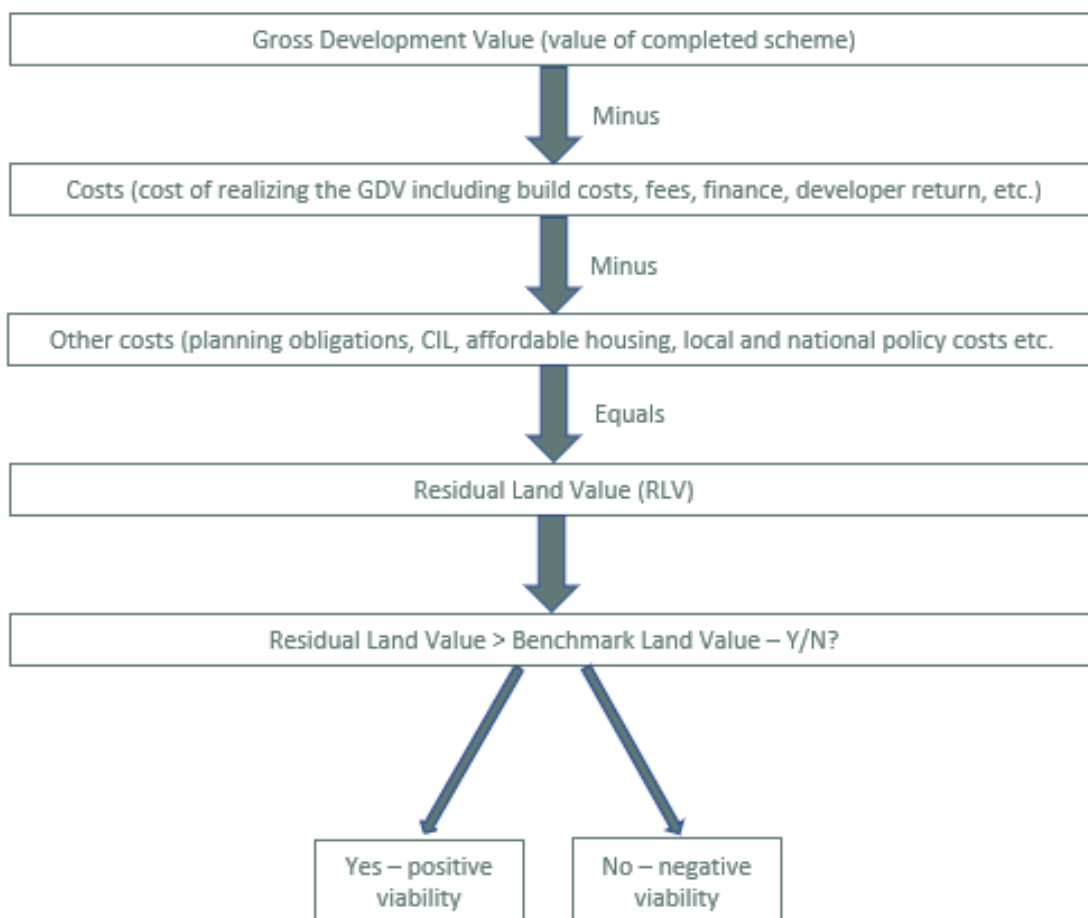
<sup>3</sup> The Government has described ‘grey belt’ as ‘*poor quality and ugly areas*’ within the Green Belt and their definition includes land on the edge of existing settlements or roads as well as old petrol stations and car parks. Further detail will be provide but it appears it will be for councils to decide which areas will be designated as grey belt within their area. There is no green belt land in BHCC therefore this policy is of limited relevance.

## 2. Methodology & assumptions

### 2.1 Residual Valuation Principles

2.1.1. The most established and accepted route for studying development viability as a strategic level, including for plan-making and policy development (but also used for site-specific viability assessment) is residual valuation. This is also consistent with the relevant guidance described above. Figure 1 below sets out (in simplified form only) the principles residual valuation, which is the methodological basis of the appraisals sitting behind our results and findings.

**Figure 1: Simplified residual land valuation principle (diagram below shows the methodology used to calculate residual land value (RLV))**



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- 2.1.2. Having allowed for the costs of acquisition, development, finance, profit and sale, the appraisal results show the sum that is potentially available to pay for the land – i.e. the residual land value (RLV).
- 2.1.3. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the NPPF no longer containing any reference to competitive returns to a ‘willing landowner’ and ‘willing developer’. The emphasis has moved away from a market value-based approach to land as may have been used or carried greater influence in the past. The PPG on Viability has for some time now made it clear this benchmark land value (BLV) should be based on Existing Use Value (EUV) and states:
- ‘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+’].*
- 2.1.4. The NPPF and associated PPG on Viability indicate a greater link than previous between the role of strategic level viability work such as this assessment and at the decision-making stage (development management of planning applications). The national approach has moved more towards a general acknowledgement that the main role of viability should be at the plan making stage (which must be considered when the full LP viability assessment is carried out in due course).
- 2.1.5. However, and consistent with our experience in practice to date, it appears likely that there will still be a role, albeit at a reduced level, for planning application stage and other site-specific viability reviews but that it is:

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*“Up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage”<sup>4</sup>.*

- 2.1.6. There is the potential for the development of some site typologies or future sites identified by the Council to need to overcome abnormal issues and support added costs. The NPPF and associated guidance recognises that within this picture or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be bought forward at the delivery stage, as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure. This is illustrated by the emerging area of Build to Rent and Co-living schemes, which are something we have considered in some detail in this assessment and which is an evolving picture.

## 2.2 General Approach

- 2.2.1. The study approach included a regular two-way dialogue with the Council which led to early discussions around assumptions, policy options and potential compromises or “trade-offs” that may be required to balance viability whilst also going as far as practically possible to meet housing needs.
- 2.2.2. The assessment is based on monetising local and national policies that may add cost to development to understand the impact on viability when considered cumulatively alongside the extensive affordable housing testing (focus of this study) and usual costs of development. We need to consider how the strength of the relationship between development values and costs varies across the wide range of development typologies tested. An initial phase of interim testing focused on a smaller sample set of typologies which then expanded across a wider typology set; an approach which was taken in order to test different affordable housing tenure mixes across some broadly representative site/development types before settling on a preferred approach for ‘Stage 2’ and wider appraisal testing. There will be other policies that have indirect implications for development, but which fall within the scope of achieving sustainable

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<sup>4</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 006 Reference ID: 10-006-20190509 Revision date: 09.05.2019)

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development and meeting normal planning criteria, and as such do not need to be specifically reflected in the development appraisal assumptions.

2.2.3. The study approach essentially comprised the following interlinked stages:-

- In-depth research into the Brighton & Hove property market including residential values (including age-friendly housing), Co-living, Build to Rent (BTR) rents, affordable housing revenues, yields etc.
- Information review / policy analysis – review existing evidence base e.g. City Plans Part 1 and 2, SHMA, supplementary planning guidance, supporting evidence base.
- Stakeholder consultation – focussing on affordable housing providers, but also contacting local planning and development agents, in particular those involved in/experienced with specialist typologies such as Build to Rent.
- Appraisal framework and assumptions development – including policy cost assumptions alongside general development costs.
- Appraisal modelling full set of typologies (including specialist typologies) and results analysis
- Reporting recommendations phase / presentation of results

2.2.4. The assumptions and evidence that feed into this assessment are set out in Appendix 1 (Assumptions Summary) with the results analysis is set out in Appendices 2, 3 and 4. The following section discusses the key assumptions, background evidence/research and testing framework in more detail.

## 2.3 Stakeholder Consultation

2.3.1. National policy and guidance state the importance and value of stakeholder engagement. This study is not a whole-plan viability assessment and therefore a full stakeholder consultation exercise was not required. However, for the purpose of the AHVS, a more focused consultation exercise took place with key affordable housing providers and locally active and relevant development industry stakeholders (including BTR developers, local property agents, housebuilders, planning agents and others).

2.3.2. The consultation exercise was conducted by way of survey seeking information and views to help test our emerging assumptions in the initial project stages. The approach set out our initial draft assumptions and testing framework with the

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opportunity for the relevant parties to then comment on those emerging positions or suggest alternative assumptions with reasoning.

- 2.3.3. As part of this process, a full record of all stakeholder interaction is kept including a log indicating the parties contacted, reminders issued, the feedback responses and level of response overall. Given the potential commercial sensitivities/confidentiality in some instances, the details of the responses received are not included in our report. However, all responses have contributed to informing the assumptions included in the study and the context in which judgements have been made based on the appraisal results Overall, the study is informed by a combination of sources, including information supplied by the Council, extensive research, and experience. It is further supplemented through the relevant stakeholder sourced feedback as far as available noting the comprehensiveness and detail of the feedback varied between responses.

## 2.4 Scheme Development Scenarios – Residential Typologies and Specialist Typologies

- 2.4.1. The scenarios (development typologies) considered and appraised as part of this assessment were agreed with the Council and have been tested as they are considered to reflect the different types of residential and specialist forms of development likely to be brought forward across the City.
- 2.4.2. The development typologies have been tested over a range of value levels (VLs) representing varying residential sales values considered appropriate at the time of review across the City Plan area by scheme type scheme location/type. As well as looking at the influence of location, this sensitivity testing approach allowed us to consider the potential impact on development viability of changing market conditions over time (i.e. falling or rising values dependent on market conditions).
- 2.4.3. A summary of the residential scheme typologies is shown at Figure 2 below, with the full detail set out in Appendix 1.

**Figure 2: Residential development typologies**

Typology Reference	Scheme Size Appraised	Type	Location
Typology Test (1a)	3	Houses	Suburban
Typology Test (1b)	3	Houses	Suburban
Typology Test (2)	3	Flats (Conversion)	Urban
Typology Test (3a)	9	Houses	Suburban Greenfield
Typology Test (3b)	9	Houses	Suburban PDL
Typology Test (4a)	15	Houses (terrace/mews)	Suburban Greenfield
Typology Test (4b)	15	Houses (terrace/mews)	Suburban PDL
Typology Test (5)	9	Flats (Conversion)	Urban
Typology Test (6)	50	Flats (Office to Resi Conversion)	Urban
Typology Test (7)a	25	Houses	Suburban Greenfield
Typology Test (7)b	25	Houses	Suburban PDL
Typology Test (8)	25	Flats	Urban
Typology Test (9)	50	Mixed (Houses/Flats)	Suburban
Typology Test (10)	100	Mixed (Houses/Flats)	Suburban
Typology Test (11)	50	Flats (3-5 Storey)	Urban
Typology Test (12)	100	Flats (3-5 Storey)	Urban / Urban Central
Typology Test (13)	100	Flats (3-5 Storey) with GF mixed E-class	Urban / Urban Central
Typology Test (14)	300	Flats (6 to 10 storey)	Urban Central
Typology Test (15)	300	Flats (6 to 10 storey) with mixed E-class / community facilities	Urban Central
Typology Test (16)	300	Flats (11 to 18 storey)	Urban / Urban Central
Typology Test (17)	300	Flats (11 to 18 storey) with 16,000 ft <sup>2</sup> mixed E-class / community facilities	Urban / Urban Central

(DSP 2025)

- 2.4.4. In addition to the above residential site typologies, this assessment also considers the ability of a set of specialist typologies to contribute towards affordable housing. Those are set out as in Table 3 below.
- 2.4.5. Similar to the residential typologies (above), these have been tested on a range of either Value Levels (VLs) or rent levels (low, medium and high) with this approach reflecting the scheme type and location, as well as in some cases considering variances to yield assumptions as a further sensitivity.

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- 2.4.6. A summary of the specialist typologies is shown at Figure 3 below, with the full detail shown in Appendix 1 to this report.

**Figure 3: Specialist development typologies**

Typology Reference	Scheme Size Appraised	Type	Location
Typology Test (18)	200	<b>BTR Apartments (6+ Storey) with mixed E-class (11,000sqft)</b>	Urban / Urban Central
Typology Test (19)	500	<b>BTR Apartments (6+ Storey) with mixed E-class (11,000sqft)</b>	Urban / Urban Central
Typology Test (20)	200 (beds)	<b>Co-Living with enhanced communal space/facilities including workspace</b>	Urban / Urban Central
Typology Test (21)	300 (beds)	<b>Purpose-built student accommodation (studios and cluster)</b>	Urban / Urban Central
Typology Test (22)	60	<b>Retirement Flats Sheltered</b>	Urban
Typology Test (23)	100	<b>Retirement Flats Extra Care</b>	Urban
Typology Test (24)	65 (beds)	<b>Nursing Home (C2)</b>	Suburban

(DSP 2025)

- 2.4.7. Where applicable and necessary, bespoke assumptions have been applied to the specialist forms of accommodation listed above; as set out in Appendix I.
- 2.4.8. As part of considering the development typologies, an assumption is made in relation to dwelling mix to ensure that that the scenarios are as representative as possible of likely future development. The principles adopted are set out in Figures 4 and 5 below. Appendix 1 also provides further detail. These dwelling mix principles are based on the Council's latest Strategic Housing Market Assessment (SHMA)<sup>5</sup>. The property dwelling mix applied to each scenario / typology are set out below. In some cases there was a need to round up or down to whole units/dwellings and therefore deviate slightly from the % mix.

<sup>5</sup> Brighton & Hove Strategic Housing Market Assessment (August 2023)

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**Figure 4: Dwelling mix assumptions – residential typologies**

Property Type	Dwelling Mix (%)		
	Market Units	Social Rented	Affordable Home Ownership
<b>Studio</b>	10-15%	30-35%	30-35%
<b>1-bed</b>	10-15%	30-35%	30-35%
<b>2-bed</b>	45-50%	35-40%	40-45%
<b>3-bed</b>	30-35%	20-25%	15-20%
<b>4-bed</b>	5-10%	5-10%	5-10%

(DSP 2025)

**Figure 5: Dwelling mix assumptions – specialist typologies**

Specialist Typology	Unit Type	Dwelling mix (%)
<b>60 Flats Sheltered</b>	<b>1-Bed Flat</b>	60%
	<b>2-Bed Flat</b>	40%
<b>100 Flats Extra Care</b>	<b>1-Bed Flat</b>	60%
	<b>2-Bed Flat</b>	40%
<b>Build to Rent</b>	<b>1-Bed Flat</b>	35%
	<b>2-Bed Flat</b>	50%
	<b>3-Bed Flat</b>	15%
<b>Co-living</b>	<b>1-Bed Studio (smaller)</b>	35%
	<b>1-Bed Studio (larger)</b>	50%
	<b>2-bed Co-Living/Co-Working</b>	15%
<b>PBSA - 300 units Cluster &amp; Studio</b>	<b>Cluster room</b>	80%
	<b>Studio room</b>	20%

(DSP 2025)

- 2.4.9. In all cases, assumptions are made using a “best fit” approach for both the mix of market and affordable dwellings, combined with target affordable housing tenure assumptions. This approach accounts for rounding effects and the practical limitations of representing every aspect within a single scheme, particularly in smaller developments or those with lower proportions of affordable housing.

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- 2.4.10. The assumed scheme mixes are hypothetical and not exhaustive, as many variations may occur, including different combinations of dwelling sizes tailored to specific site characteristics, localised demand, and requirements. Details of the affordable housing assumptions for each test scenario are outlined below. Appendix I provides additional information, summarising the dwelling mix criteria used where possible and outlining revenue levels associated with different affordable housing tenure types.
- 2.4.11. The dwelling sizes assumed in this study, based on gross internal area (GIA), follow the Nationally Described Space Standard (NDSS) as outlined in Figure 6 and as also adopted within City Plan.

**Figure 6: Residential typology dwelling sizes**

Property Type	Assumed Unit Sizes
Studio	39
1-bed	50
2-bed	61 - 79
3-bed	93
4-bed	130

(DSP 2025)

- 2.4.12. Since there is a relationship between dwelling size, value and build costs, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative 'Value Levels' (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focusing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the typologies approach, as part of considering relative policy costs and impacts.

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- 2.4.13. The specialist scenarios assume a different approach to dwelling/unit sizes, variable by scheme type. For example, the Co-living residential model provides private rooms and bathrooms with shared communal and other amenity and workspaces. We have assumed a bespoke level of non-saleable floor area for these specialist typologies as defined below.

**Figure 7: Specialist typology dwelling/unit sizes**

Specialist Typology	Unit Type	Dwelling/unit Sizes (sq. m.)	Net:Gross adjustment
<b>60 Flats Sheltered</b>	<b>1-Bed Flat</b>	50	75:25
	<b>2-Bed Flat</b>	75	
<b>100 Flats Extra Care</b>	<b>1-Bed Flat</b>	65	65:35
	<b>2-Bed Flat</b>	80	
<b>Build to Rent</b>	<b>1-Bed Flat</b>	50	70:30
	<b>2-Bed Flat</b>	70	
	<b>3-Bed Flat</b>	85	
<b>Co-living</b>	<b>1-Bed Studio (smaller)</b>	25	60:40
	<b>1-Bed Studio (larger)</b>	30	
	<b>2-bed Co-Living/Co-Working</b>	56	
<b>PBSA - 300 units Cluster &amp; Studio</b>	<b>Cluster room</b>	15	60:40
	<b>Studio room</b>	23	

(DSP 2025)

- 2.4.14. The residential typology dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flatted development, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For example, the general flatted typology tests assume a net:gross ratio of 85% (i.e. 15% communal space). The amount of communal/non-saleable floorspace varies on the specialist typologies depending on the individual scheme characteristics and are set out in Figure 7 above.
- 2.4.15. We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated affordable housing. Although again we acknowledge such factors will likely vary to some extent from scheme to scheme.

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It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

## 2.5 Scheme Revenue (Gross Development Value (GDV)) – Residential Typologies

2.5.1. Market housing sale values are a key component of the appraisal assumptions. To ensure a proportionate yet robust evidence base, data is gathered from a variety of sources, as outlined below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables. Sources referred to include:

- Previous viability studies as appropriate;
- Land Registry;
- Valuation Office Agency (VOA)
- Property search, sale/marketing reporting and other web resources;
- Development marketing websites;
- Any available information from the focused stakeholder consultation.

2.5.2. A framework needs to be established for gathering and reviewing property values data. An extensive residential market review has been undertaken between July 2024 and September 2024 in order to consider and appropriately reflect, at a level suitable for strategic assessment, the variation in residential property values seen across the City Plan area. This data was collected by ward and existing CIL zone areas and analysed using both sold and asking prices for new-build and re-sale property. We considered this to provide the most appropriate and reflective framework for this data collection exercise, and the subsequent analysis to inform assumptions.

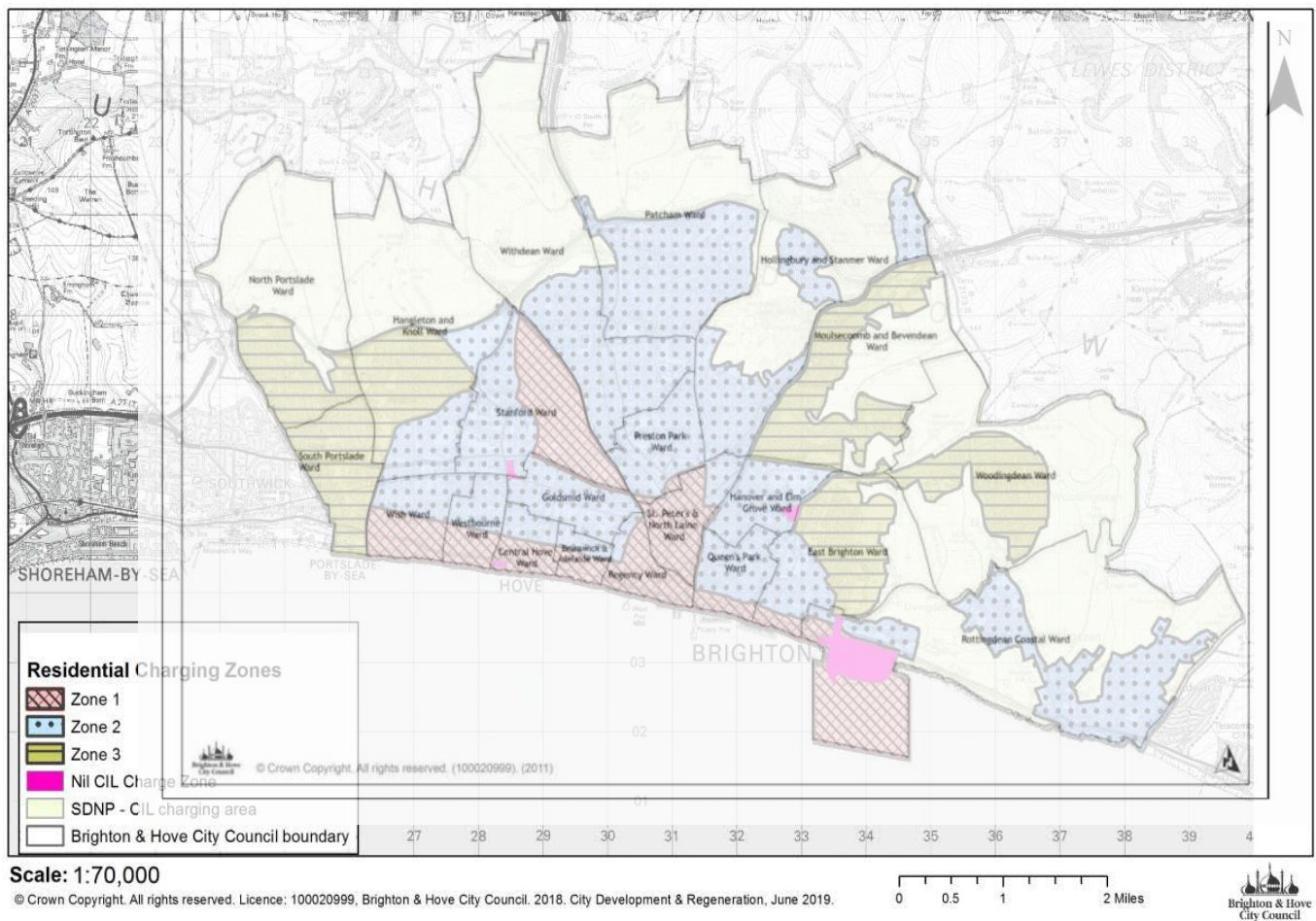
2.5.3. When considering the overall value assumed per sq. m. for flats and houses we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area. This difference is notable when considering houses of different sizes and is further accentuated in the difference in prices per square foot/square metre between houses and flats, and between small flats and large flats. This is additional context that has to be borne in mind when considering the appraisal results.

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- 2.5.4. Broadly and as expected, the values analysis coincides with previous research and the zones underpinning the CIL Charging Schedule. A higher range of values is seen within CIL Zone 1 comprising the urban central areas of Brighton such as the City centre and seafront locations, West Hill and North Laines, some areas of Hove Park across to Dyke Road etc. CIL Zone 2 indicates mid-level values made up of the wider urban and some suburban areas of Brighton and Hove including Preston Park, Queens Park, Hanover and Elm Grove, Aldrington and some areas of Hollingbury, Hollingdean etc. CIL Zone 3 indicates the lower range of values and broadly represents the suburban areas including Portslade, Hangleton and Knoll, Patcham, Coldean, Moulsecoomb, Woodingdean etc. However, the range of values within each CIL Zone overlaps between zones and there are no strict cut-offs. Essentially the complete range of values could be seen in all locations depending on the type and characteristics of a scheme.

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Figure 8: CIL Zones overlaid with ward areas<sup>6</sup>



2.5.5. Overall and on the basis of our research and using our tested assessment approach, we have applied property ‘Value Levels’ (VLs) to each typology from VL1 (lowest) to VL9+ (highest). These VLs reflect an overall range of £5,000/m<sup>2</sup> to £7,000/m<sup>2</sup>. Some values are potentially achievable in excess of that for specialist typologies such as Extra Care retirement housing. For general needs dwellings we consider the key new build property values (most relevant to delivery) for each CIL Zone to be as follows:-

- CIL Zone 1 – VL4 £5,750/m<sup>2</sup> to VL9 £7,000/m<sup>2</sup>
- CIL Zone 2 – VL3 £5,500/m<sup>2</sup> to VL7 £6,500/m<sup>2</sup>
- CIL Zone 3 – VL1 £5,000/m<sup>2</sup> to VL5 £6,000/m<sup>2</sup>

<sup>6</sup> Maps overlaid for indicative purposes to show general location of wards – not 100% to scale.  
Source: [https://www.brighton-hove.gov.uk/sites/default/files/migrated/article/inline/downloads/ldf/2011Open\\_Space\\_Appendix\\_2.pdf](https://www.brighton-hove.gov.uk/sites/default/files/migrated/article/inline/downloads/ldf/2011Open_Space_Appendix_2.pdf)  
and Brighton & Hove City Council - Community Infrastructure Levy - Charging Schedule, July 2020 – Appendix 1

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- 2.5.6. Within these CIL Zones and corresponding VL ranges, flatted development is likely to fall within the upper end of each range (as the inverse relationship between property size and value when expressed on a £/m<sup>2</sup> basis is seen). Appendix 1 provides further detail.
- 2.5.7. It should also be noted that house price data is highly dependent on specific timing in terms of the number and type of properties within the dataset for a given location at the point of gathering the information. Again, in some cases, small numbers of properties in particular data samples (limited house price information) can produce inconsistent results. This is not specific to Brighton and Hove. However, these factors do not affect the scope to get a clear overview of how values vary typically, or otherwise, between ward and CIL Zone areas in this case, given the varying characteristics of the area.
- 2.5.8. Given that values are such a key variable / driver of viability, we conducted a wide range of sensitivity tests that reflect both recent and current market values while also allowing for an assessment of the potential impact of those rising / falling over time. The results of these tests are detailed in the appendices.
- 2.5.9. Following a period of market turbulence, high inflation (particularly relevant to the construction industry), high interest rates and a stagnating housing market, a period of relative stability appears to have returned to the housing market. At the point of finalising the information review for this report (Winter 2024/25), the latest Nationwide house price index (December 2024) reported UK house prices rising 0.7% month on month with annual growth of 4.7% from 3.7% in November 2024. Nationwide also consider that 2025 will likely see house price growth in the range of 2% to 4%. Although the upcoming changes to stamp duty are likely to generate some market volatility, with the economy expected to continue to recover steadily, housing market activity is likely to continue to strengthen.
- 2.5.10. The Royal Institution of Chartered Surveyors (RICS) in their UK Economy Property Market Update (November 2024) state: *“Accompanying the recovery in buyer demand, house price growth appears to have gained momentum over the past few months. Indeed, the RICS house price net balance rose to +16% in October, a noticeable increase from the reading of -16% seen as recently as July. Moreover, the twelve-month house price expectations series posted a net balance of +47% in the latest iteration of the survey, signalling a firmly positive*

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*outlook. Given the RICS sentiment data typically offers a six-month lead over the house price indices produced by various sources, this implies growth will accelerate in the months ahead. As it stands, the latest figures from the Nationwide house price index point to a 2.5% annual increase at the national level {note that this is referring to the Nationwide October house price index}, while the Land Registry's data is marginally firmer at 2.7% (Figure 9). The Lloyds index, meanwhile, signals even stronger momentum, with their estimate suggesting prices have risen by 4.3% over the past year. By way of contrast, Rightmove's measure of asking prices shows a flatter trend, increasing by just 0.8% compared with this point last year".*

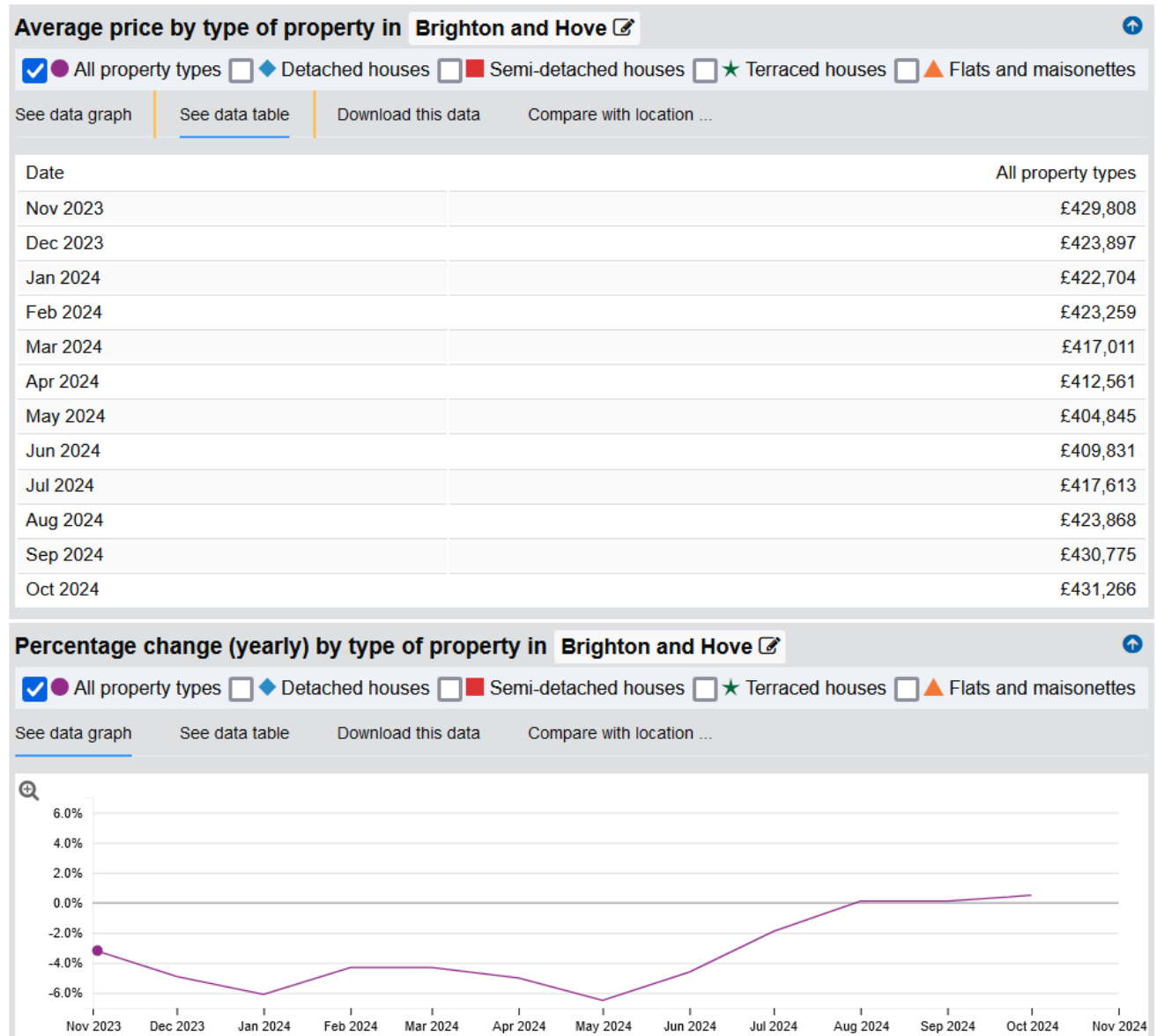
- 2.5.11. In their November 2024 news article<sup>7</sup> Savills expect growth overall to be 3% in 2024 nationally, growing by 3-5% per annum for the next 5 years (23.4% overall). Regionally they suggest growth of 3% in the south east in 2024 with 3%-4.5% growth each year over the next 5 years leading to 17.6% growth overall.
- 2.5.12. More locally, the latest residential property market trends in Brighton and Hove highlight a resilient market with house price growth beginning to increase following a relatively stagnant period. This aligns with the most recent reporting by Nationwide who expect a steady economic recovery to continue with strong demand in key areas, and anticipate stable though subdued house price growth in 2025.

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<sup>7</sup> <https://www.savills.co.uk/insight-and-opinion/savills-news/369036-0/average-house-prices-to-increase-by-23.4--over-the-next-five-years>

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Figure 9: Average House Prices Data for Brighton & Hove



2.5.13. Construction costs over the same period are forecast to grow but at a lower level than house price growth overall as Figure 10 illustrates:-

**Figure 10: Summary of BCIS forecasts (Tender Price Index & Materials Costs)<sup>8</sup>**

Percentage Change 4Q on 4Q (output is whole year on whole year)							
BCIS Forecast	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027	2027 to 2028	2028 to 2029
TPI	+3.5	+2.3	+3.8	+3.4	+3.5	+3.9	+3.1
Materials costs	-0.8	+1.0	+3.3	+2.2	+3.3	+2.5	+3.2

- 2.5.14. On market conditions, movements and values, the key point to reiterate is the timeline of both the adopted City Plan (to 2030) and the emerging City plan (to 2041). This drives the long-term strategic overview that is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Again, it is not appropriate to assume only the downside risks and inputs related to deteriorating or poor economic conditions and a tougher housing market for development (nor is it appropriate to be overly optimistic about improvements in the market and the relationship between costs and values over time).
- 2.5.15. Overall, this research indicates a variable values picture across Brighton and Hove. This is a common finding whereby different values are often seen to vary within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that may influence the viability of development to the degree that a differential affordable housing policy may be needed, including relating to the types and locations of development that are considered relevant in the BHCC context.

<sup>8</sup><https://online.bcis.co.uk/Briefing/Briefing/3770?returnUrl=%2FBriefing&returnText=Go%20back%20to%20briefing%20summary&sourcePage=Help>

## 2.6 Specialist Typologies - Older persons accommodation

- 2.6.1. As noted in Appendix 1, a higher range of sales values have been tested in the case of age-friendly and extra care typologies based on research carried out alongside the general needs residential property market information. This was based on comparable information where available and also with reference to the Retirement Housing Group (RHG) paper “A Briefing Note on Viability (May 2013 amended February 2016)” which states the following:

*“Practitioners should use local market values for newbuild retirement housing where they exist. Where they do not exist the following formula is an indicative guide to the price of lower value units which are likely to be affordable by most local home owners. Methods of price setting for retirement housing vary by location. In medium and low value areas the price of a 1-bed sheltered property = approximately 75% of the price of existing 3-bed semi-detached house. A 2-bed sheltered property = approximately 100% of the price of existing 3-bed semi-detached. In high value areas with a high proportion of flats the price of a 1-bed sheltered property is linked to the price of high value flats, normally with a 10-15% premium. Extra care housing is 25% more expensive than sheltered: if a sheltered 1-bed flat sells for £100,000 then an extra care 1-bed flat will sell or £125,000”.*

- 2.6.2. Applying the above RHG methodology alongside bespoke property market research for such schemes, our testing assumes a range of Value Levels (VLs)<sup>9</sup> from VL7 £6,500/m<sup>2</sup> to VL10 £7,250/m<sup>2</sup>. Within this range, we consider typical new build sheltered values are represented by VL7 £6,500/m<sup>2</sup> to VL9 £7,000/m<sup>2</sup> and extra care values extend from VL9 £7,000/m<sup>2</sup> to VL10 £7,250/m<sup>2</sup>. As with the general needs housing, values can be seen both above and beneath the range tested but the nature of the strategic-level assessment requires us to focus on the overall typical, key set of values seen based on best available evidence.
- 2.6.3. As noted above there is a dearth of current examples of these typologies in Brighton & Hove, meaning that the values indicated by the RHG methodology have been cross-checked against comparables from neighbouring local authorities rather than with direct evidence from B&H. This evidence does

<sup>9</sup> These VLs are linked to / build on and extend from the main VL range discussed at 2.41.

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however suggest that the principles behind the RHG calculation appear appropriate locally (i.e. the relationship between the value of retirement flats and general needs housing) and we consider the RHG method remains broadly applicable. It is not clear how common it will be for this development type to arise in Brighton since currently it appears to be favoured in neighbouring authorities but not in Brighton – this might be due to the location preference of older persons and/or because the nature of sites in Brighton tends towards higher-rise, more dense development which does not lend itself to the typical design of such schemes.

## 2.7 Specialist Typologies - C2 Residential Institution (Nursing Homes)

2.7.1. Appendix 1 also sets out bespoke value assumptions based on annual rents on a £/m<sup>2</sup> basis for the Nursing Home typology. These rents have been based on research of C2 residential institutions assuming differing levels of care provision in Brighton and Hove as well as the wider South East. The rent levels assumed for the testing range from £6,060 (low), £7,800 (medium) and £9,540 (high) annual net rent per room. Our research indicated the 'high' rents are likely to be more representative of nursing homes with dementia care and/or very high specification accommodation with the best facilities, in the most desirable locations.

## 2.8 Specialist Typologies – Build to Rent (BTR)

2.8.1. The NPPF indicates that affordable housing in BTR schemes should normally be provided in the form of 'affordable private rent' (APR), and the associated guidance suggests that the inclusion of 20% APR in a BTR scheme is a suitable benchmark; but that local authorities can set a different proportion in local plan policy if justified by local housing need (and with reference to viability).

2.8.2. BTR developments are usually aimed at young professionals however in recent years a greater occurrence of dwellings aimed at families has been seen: 'Single family housing' (individual units) or 'multi-family housing' (multiple units in a terrace, or block of maisonettes). We note from some recent industry reporting

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that the average age of BTR residents has been increasing including for 1 or 2 bed units.

- 2.8.3. BTR is typically marketed as a ‘lifestyle choice’ and at the upper end of the available accommodation range rather than the wider private rented market which includes properties that are more affordable. Schemes vary but often include facilities such as 24-hour concierge and maintenance, inclusive WIFI, workspaces and car clubs.
- 2.8.4. We have reviewed a recent Cushman & Wakefield report on BTR<sup>10</sup> which notes that after a period of ‘rental boom’, growth in rents is now slowing. Their assessment suggests that despite this slowing from double-digit levels of annual rent inflation, BTR rents in the South East are still growing at circa 5.0% per annum. The report also notes that demand continues to outstrip supply therefore there is continuing/growing appetite for BTR. Whilst BTR remains popular amongst potential tenants, however, the appetite for investment is noted to have decreased and C&W note that *‘over the past decade, development funding has been the dominant route for investors [...] however in Q3 2024 investment in operational assets rose to 40% of total BTR investment. We expect this trend to evolve, with more opportunities to acquire stabilised, first-generation BTR schemes. While development will remain the primary entry point in the near term, the proportion of investment in operational deals is expected to grow steadily.’* Overall, C&W note that *‘investor appetite remains strong [and] the fundamentals of the sector are unchanged’*.
- 2.8.5. Similarly, CBRE have reviewed BTR investment volumes in 2024<sup>11</sup>, noting an ‘uptick – led by multi-family housing’, but note that *‘the BTR market faced challenges last year with securing forward-funding due to regulatory pressure, including Building Safety Act requirements and the new safety requirement for second staircases in high-rise residential blocks’*.
- 2.8.6. Overall, industry reporting notes that demand for BTR remains strong in supply hotspots (for example Bath, Brighton, Cambridge, London) where there is a lack of availability of housing in general and a lack of vacancies in high quality rented housing.

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<sup>10</sup> <https://www.cushmanwakefield.com/en/united-kingdom/insights/build-to-rent>

<sup>11</sup> Finance Daily, 10 Jan 2025

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- 2.8.7. The principal difference between BTR and other tenures is that BTR schemes are financed via a long-term investment approach (for example usually backed by a by a pension fund or similar). All homes in a scheme remain in the same ownership and are managed as one investment, usually without the involvement of a Registered Provider of affordable housing (e.g. a housing association). This means that in terms of viability assessment, BTR is assessed differently to standard residential housing for sale as individual units, and is generally reviewed via an approach more akin to a commercial investment.
- 2.8.8. With BTR being a relatively new tenure type, there is not currently an ‘industry standard’ method of assessing BTR for viability purposes, and there is some debate around what suitable assumptions would be for operating costs, and how to deal with profit alongside the reduced risk of a forward funding arrangement, for example.
- 2.8.9. We have reviewed approaches used in other strategic studies and also in site-specific viability assessments which include BTR. In particular we have looked at the valuation of BTR, which includes the following methods of assessing GDV:
- Discounted Cashflow (DCF) appraisal (typically assuming a 15-year period during which no units will be sold, and then disposal of the whole building to an investor). This is based on the requirement in most policies (and suggested by the Government) that any BTR units sold earlier than 15 years after first letting would be subject to clawback clauses if any below-policy affordable housing is agreed at the outset.
  - Valuation of the units as if they were standard market housing for sale. Typically some discount is applied to the GDV of the market sale units. This is a somewhat inaccurate method of valuing BTR. It does not take into account the long-term nature of the investment, and adjustments have to be considered for the design of the scheme (for example the additional communal space). Values are therefore expected to be aligned with the upper end of standard residential apartments (with BTR being closer in nature to luxury flatted developments which have communal facilities, concierge etc). Whilst this method is not accurate it provides a useful cross-check.

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- Application of a yield assumption to either the gross or net rent in Year 1 of the BTR scheme.
- 2.8.10. Some assessments also take into account 'rent stabilisation', i.e. the time it is expected to take after completion of the building before all units are let. This can be accounted for in appraisal either by changing appraisal timings to assume sale after a certain period of reduced rent, or by adjusting yield assumptions to reflect the time taken to reach a stabilised rent.
- 2.8.11. We have tested various different methods of valuation for BTR, which include the three noted above and variations on these. The valuation/cross checks carried out by DSP are as follows:
- 15 years discounted cashflow (DCF) then sale of whole block in single transaction (with 50% of Yr 1 Gross rent deducted to allow for rent stabilisation)
  - 60 year DCF (with rent stabilisation)
  - 15 year DCF (with rent stabilisation) then individual sales of leasehold properties
  - Valuation of all apartments as market sale
  - Valuation of all apartments as market sale with 15% reduction to resulting GDV
  - Based on capitalised Yr 1 Net Rent (rent stabilisation accounted for in yield assumption)
- 2.8.12. These methods all indicate broadly the same GDV, and we note that the choice of valuation method is less significant to outcomes than the choice of inputs (especially rent levels and yield). The size of BTR schemes (in this case a 200 unit typology and a 500 unit typology) means that small adjustments to input assumptions can result in large variations to GDV. Appraisal results have to be considered in this context. To capture these sensitivities we have considered a range of rents (low, medium and high).
- 2.8.13. To summarise, we have looked at various ways of valuing Build to Rent, all of which lead to a similar level of capital value. The choice of method results in variance of up to 5.0% in the resulting GDV, however our sensitivity testing of

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rents covers a variance in GDV of between 15 and 20%. All of the results are highly sensitive to certain assumptions, for example rent inflation, discount rate to net present value, or (if applicable) yield used to capitalise rent.

- 2.8.14. Taking a suitable overview, we have based the BTR GDV in our appraisals on the most simple method which is looking at the first year's rent and applying a suitable yield to that annual income; and sensitivity testing a range of rents.

## 2.9 Specialist Typologies – Co-Living

- 2.9.1. Co-living is a new but growing sector, providing managed rental housing particularly for single renters.

- 2.9.2. The evidence points to this being closer to a student accommodation type model than Build to Rent, and there is also some evidence from elsewhere in the country that due to this setup it is generally more viable than BTR. The target market is typically young people who seek an 'all-inclusive' solution that covers provision and costs of utilities, but want a higher quality and more flexible product than a room in a shared house. Co-living schemes typically include co-working spaces amongst other shared amenities, and place a focus on social activities with some operators co-ordinating social events. We note from Gerald Eve's recent report on Co-Living<sup>12</sup> that designs are progressing towards '*more generous rooms and well-designed amenity spaces*' and that Co-living '*benefits from the same investment characteristics as the BTR sector, providing investors with stable cash flows that tend to grow in line with inflation, but with some additional yield*'. Gerald Eve state that there is a diverse range of types of tenants depending on location, with an average age of 28 but with ages ranging from 17 to 67. They also note that students can make up 'between 10% and 96% of occupants'. This supports our research which indicates a range of possible scheme types.

- 2.9.3. As well as the more standard student-type offering we have also found evidence of schemes in Brighton and Hove which are more like hotels that are occupied for short/medium term stays and have much higher rents (often leased by

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<sup>12</sup> Emerging Trends In Co-Living, Gerald Eve, 2024

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companies who have staff temporarily based in Brighton). These are sometimes described as ‘aparthotels’. We have considered this by looking at a wide range of rents to incorporate both ends of the spectrum. As can be seen from the findings below, viability will be dependent on the specifics of a scheme; it should be noted that the upper end of rents pertains to the ‘aparthotel’ model.

- 2.9.4. Gerald Eve also note that operating costs vary from 20% of rent up to 40%, with the median being 25% of income. The facilities offered are also noted to vary (for example whether council tax is paid, whether room cleaning is included or whether all utilities are included. Scheme sizes are noted to be between 100 and 400 units, and Gerald Eve state that the optimum size for a scheme is noted to be between 100 and 200 units and that yields in London range from 4.0% to 4.75%.
- 2.9.5. We have tested a 200-unit Co-Living typology, a range of potential rents, and yield assumptions from 4.0% to 5.0%.
- 2.9.6. Frequently, Co-living as designed will not meet the necessary tenure or space requirements for on-site affordable housing. Therefore we have considered the results in terms of the surplus generated above a suitable BLV, which might then contribute to affordable housing. Where there is a surplus, the Council would have to consider a method of assessing what level of contribution would be due (for example linking this to the size/type/cost of affordable housing to be provided elsewhere) either as a payment in lieu of affordable housing, or by requiring a suitable provision on site (for example as a proportion of floor area, and requiring suitable Affordable Rented units to be provided).

## 2.10 Specialist Typologies – Purpose Built Student Accommodation (PBSA)

- 2.10.1. There is a large student population in Brighton and Hove being home to the University of Brighton campuses in Moulsecoomb, City and Falmer and the University of Sussex also located in Falmer. The specialist typology for PBSA and associated assumptions is set out in Appendix 1, based on a combination of two typical types of accommodation – cluster and studio accommodation. Cluster

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accommodation relates to individual groups of student rooms<sup>13</sup> with shared kitchen facilities and living space, whereas studio accommodation is similar to studio flats with larger rooms, typically ensuite and include a kitchenette.

- 2.10.2. According to Cushman and Wakefield<sup>14</sup> nationally there is unprecedented demand for student accommodation driven by a shortage of supply. A recent article by CBRE<sup>15</sup> indicates demand for PBSA has grown by 20% over the last decade, outstripping supply. CBRE estimate that “there is an unmet demand in the UK of around 600,000 bedspaces, and the lack of new development is exacerbating this shortfall”. This has led to substantial rental growth in the sector with the average rent for an en-suite room having risen by 27% and studios increased by 37% over the last six years. Overall student accommodation development has been consistent in providing strong returns with market conditions expected to become more viable with increasing demand and as more institutional investors forward fund new developments.
- 2.10.3. We also note there is an overlap of this type of accommodation with Build to Rent and Co-Living. Although these forms of development are based on different economics, the characteristics of scheme design are often quite similar based on rooms with associated communal spaces. Build to Rent tends to centre on larger fully self-contained flats which also have access to communal facilities. Co-living can come in various forms, but the key configuration, forming the basis for our appraisal is closer to PBSA in design than to BTR.
- 2.10.4. Operators of PBSA typically let rooms during term time and allow for other commercial uses in during the holiday period. The academic year typically runs between 39-44 weeks. However, typically student accommodation is also let during the summer period to cater for conferences or post-graduate students who continue studying during the summer. On this basis, the student accommodation typologies have been modelled assume the operator will let the units for 52-weeks (but with assumptions made for void periods, as noted further on in this report, below).

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<sup>13</sup> Typically cluster rooms are now built as en-suite rooms although we note some are not and have shared facilities.

<sup>14</sup> Cushman & Wakefield: UK Student Accommodation Report (2023)

<sup>15</sup> CBRE: “Crisis or opportunity? The UK student housing shortage” (July 2024)

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2.10.5. Based on detailed research on student accommodation rents in Brighton and Hove, typically rents range from £12,480 to £14,560 pa for cluster accommodation and £9,360 to £13,000 pa for studio accommodation, representing a range of older and new-build schemes. Alongside the above rents, we have also made an allowance for management and repair/operating costs (including voids) based on 40% of the gross rent. The rental income has been tested at a capitalised rate of between 4% to 5%.

## **2.11 Scheme revenue (gross development value) – Affordable housing revenue**

2.11.1. A key purpose of this assessment is to provide evidence on the viability of delivering affordable housing as part of standard and specialist forms of market housing. On this basis, we tested a range of affordable housing proportions from 10% to 40% on the development typologies discussed earlier.

2.11.2. Alongside the overall affordable housing proportion, two tenure mix scenarios with variable proportions of social rent, affordable rent and affordable home ownership (including First Homes and Shared Ownership) have been considered as shown in Figure 11 below.

**Figure 11: Affordable housing tenure sensitivity tests**

<b>AH Tenure Scenario (1)</b>	<b>55% Affordable Rent 25% First Homes (30% baseline discount) 20% Shared Ownership</b>
<b>AH Tenure Scenario (2)</b>	<b>75% Rented (split 50/50 AR and Social Rent) 25% LCHO</b>

2.11.3. Tenure scenario 1 represents the Council's current approach to affordable housing tenure with scenario 2 representing an alternative approach prioritising more rented (and particularly social rented) housing. Following an initial phase of sensitivity testing on a sample number of typologies, tenure scenario 2 was considered suitable to take forward to the full set of testing. The reasoning for this approach is discussed in more detail in Chapter 3.

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- 2.11.4. Under the new NPPF, the Council will be required to undertake a new assessment of housing needs based on a new standard method as part of the development of the new City Plan. Linked to this, the Government is looking to boost the delivery of social rented housing by: “setting an expectation that housing needs assessments explicitly consider the needs of those requiring Social Rent and the authorities specify their expectation on Social Rent delivery as part of broader affordable housing policies”. Essentially, there will be an expectation to give priority to Social Rent in the affordable housing mix. This will be subject to (but likely in line with) most local needs, although we note overall control will be with LPAs to determine the balance to meet the needs of their communities.
- 2.11.5. The affordable housing revenue that is assumed to be received by a developer is based on the capitalised value of the net rental stream (for AR or SR) or capitalised net rental stream and capital value of retained equity (shared ownership – SO). The starting assumptions pending any review of viability and funding support is the affordable housing is developer funded rather than part grant funded. We have therefore made no allowance for grant or other public subsidy or equivalent.
- 2.11.6. The value of the affordable housing (level of revenue received by the developer) is variable by its very nature and is commonly described as the ‘transfer payment’ or ‘payment to developer’. These revenue assumptions are based on our extensive experience in dealing with affordable housing policy development and site-specific viability issues and consultation with local affordable housing providers. The affordable housing revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.11.7. In terms of wider experience, as a more general point and whilst not directly or certainly not only viability related, in the past months DSP has been informed of an increasing number of instances where there has been reduced or poor take up of s106 AH by RPs. There may be a number of interrelated reasons for this including the specification etc. of the affordable homes being offered to RPs in some instances, or a more general lack of demand because of a retrenchment, financially, by RPs given increased costs of development and borrowing together

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with historic rental growth controls and increased repair liabilities. However, we also note that DSP's experience (elsewhere) has included re-reviewing a few consented scheme examples where developers with confirmed s106 provisions have contacted Councils (as the local planning authorities) to seek the removal or reduction of affordable housing from s106 agreements in order to secure funding from Homes England as an alternative. Further background to this is that, to date, Homes England grant funding has not been made available for s106 affordable homes. As a high-level characteristic, the VA process (generally, not just in this case) necessarily assumes funds are available to purchase the affordable homes that flow from this planning-led route, much as it assumes a reasonably functioning, active housing market more generally.

- 2.11.8. Following discussion with the Council, noting the emphasis on flatted development, we also understand RPs have been reluctant to take on individual flats within a wider block, with their preference to take an entire block. However in the Brighton context, this approach is not always possible. We understand in such circumstances, the Council is more frequently taking on these individual units, therefore limiting the overall impact on affordable housing delivery in Brighton and Hove.
- 2.11.9. Overall, we have assumed the following revenue assumptions for affordable housing tenure (also set out in Appendix 1):-
- Affordable Rent homes – based on Local Housing Allowance Rates, assuming 50% of market value.
  - Social Rent homes – assuming 40% of market value.
  - Shared Ownership – based on 65% of market value.
  - First Homes – initial testing assuming 30% discount (subject to value cap at £250,000, after discount), see further indications below.
- 2.11.10. The Build to Rent specialist typologies have been modelled at 0% up to 20% affordable housing provision (Affordable Private Rent) based on affordable rent/Local Housing Allowance rent levels which in the case of the BTR scenarios have been applied directly to the rental income rather than using a % of market value as per the approach to affordable housing testing, above. The assumption of LHA rates is as per policy DM6 in City Plan Part 2 which requires '*genuinely affordable rents [...] generally[...] set no higher than the LHA Housing Benefit limit.*'

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- 2.11.11. Co-living and student accommodation have been modelled at 0% affordable housing with Chapter 3 discussing the strength of those results in supporting a suitable level of financial contribution in lieu of on-site affordable housing. Given the characteristics of these forms of development, the Council do not consider them suitable for on-site affordable housing. (Although as noted above it might be possible for affordable housing to be designed into a scheme and we note examples of policy elsewhere in the country (for example the Greater London Authority) which allows for this. It is not clear whether this has occurred in practice to date).
- 2.11.12. Some of the typologies were tested with the inclusion of some commercial accommodation. The assumptions are set out in Appendix 1 and include a 30/ft<sup>2</sup> rental income, capitalised with a 6.5% yield.

## 2.12 Development costs – generally

- 2.12.1. Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed per typology set. This is to enable the comparison of results. It enables a focus on the main variables under review (in this case affordable housing) in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisal modelling is set out in detail in Appendix 1, a summary of the key aspects is set out below.
- 2.12.2. Each cost assumption is informed by data and supporting evidence from such sources as follows:
- Building Cost Information Service (BCIS);
  - Locally available information as far as possible following the stakeholder consultation process;
  - Local experience of conducting planning application-stage viability assessment on behalf of Brighton & Hove City Council;
  - Other desktop-based research;
  - Professional experience

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- 2.12.3. We consider abnormal costs that may be associated with particular sites are highly specific with potential to distort results comparisons at this level of review or unduly pull down the available scope to support planning obligations / policy requirements. However, the assessment makes a range of contingency allowances for all typologies to reflect the nature and characteristics of development coming forward across Brighton and Hove, as follows:
- 15% contingency allowance applied to high-rise flatted development 6+ storeys (only) with a density of >400dph, likely to come forward in urban/urban central locations;
  - 10% contingency allowance applied to flatted only development with a density of <400dph;
  - 5% contingency allowance applied to all other typologies e.g. houses, mixed housing/flatted.
- 2.12.4. Although we acknowledge efficiencies may be found and some extra over cost allowances currently made can reasonably be expected to reduce, overall costs could rise from the current/assumed levels. The interaction between values and costs is central to this type of assessment and whilst any cost rise may be supported or outweighed by values that increase from the levels assumed at this assessment stage, this may not always be the case. Overall, we consider the above contingency allowances appropriately reflect and respond to the nature and characteristics of development coming forward in Brighton. This represents a reasonable assumption for the purpose of this high-level level assessment.

## 2.13 Development costs – build costs

- 2.13.1. The base build cost levels outlined below are derived from BCIS, following the approach recommended by the PPG on Viability. These figures are considered to represent 'appropriate *data*'<sup>16</sup> and have been adjusted using a Brighton & Hove location factor. The costs assumed for each development type (e.g. houses, flats, mixed etc.) are as provided in Appendix 1 and summarised in Figure 12 These costs are based on the BCIS median data set across most typologies. Sensitivity testing has also been carried out assuming upper quartile costs for flatted (only) development.

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<sup>16</sup> <https://www.gov.uk/guidance/viability> (Paragraph 012 Reference ID: 10-012-20180724 Revision date: 24 07 2018)

**Figure 12: Base build costs – residential and specialist typologies**

<b>BCIS - Average Prices (Default period)</b>		
<b>Development Type</b>	<b>Median Quartile</b>	<b>Upper Quartile - sample sensitivity test (only)</b>
	<b>£/m<sup>2</sup> gross internal floor area</b>	<b>£/m<sup>2</sup> gross internal floor area</b>
<b>Housing, mixed developments</b>	£1,643/m <sup>2</sup>	
<b>Estate housing</b>	£1,618/m <sup>2</sup>	
<b>Estate housing terraced</b>	£1,593/m <sup>2</sup>	
<b>Flats (apartments)</b>	£1,871/m <sup>2</sup>	
<b>Flats (apartments) 3-5 storey</b>	£1,866/m <sup>2</sup>	£2,221/m <sup>2</sup>
<b>Flats (apartments) 6 storey or above</b>	£2,201/m <sup>2</sup>	£2,529/m <sup>2</sup>
<b>Students' residences, halls of residence, etc</b>	£2,551/m <sup>2</sup>	
<b>Supported housing - Sheltered &amp; Extra Care</b>	£1,970/m <sup>2</sup>	

- 2.13.2. BCIS build costs do not include external works/site costs, contingencies or professional fees (assumed allowances all added separately).
- 2.13.3. An allowance for external works has been applied across the assessment, varying by scheme type, ranging from 7.5% to 15% of the base build cost. These allowances are informed by a variety of information sources and cost models and are generally set above minimum levels to accommodate the potentially variable nature of such works.
- 2.13.4. Alongside the above, we have also made a cost allowance for site prep/contingency reflecting wider site works and infrastructure, ranging from £500,000 to £1,000,000 per hectare (on gross land area), variable by scheme density.
- 2.13.5. For this broad test of viability, it is not possible to test all potential variations in additional costs. There will always be a range of data and opinions on and methods of describing build costs. In our view, we have made reasonable assumptions in accordance with relevant guidance and experience, focusing on

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typical new build schemes.. As with many aspects of viability assessment there is no single appropriate figure in reality so judgements on these assumptions are necessary. It is important to note that as with any appraisal input, in practice this will be highly site-specific.

- 2.13.6. The interaction between costs and value levels may need reconsideration as part of any future City Plan review as build costs typically change over time.

## 2.14 Development costs – Fees, Finance & Profit

- 2.14.1. Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of development, particularly in respect of the specialist typologies. Other key development cost allowances are as follows. Appendix 1 provides the full detail.

**Figure 13: Residential Development Costs – Fees, Finance & Profit**

Residential Development Costs – Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	8 - 10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and represents costs including ancillary fees) – Local Plan overview assumption rate, through various market cycles.
Marketing Costs	3% of GDV sales agent & marketing fees.
	£750/unit legal fees.
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV @ base 17.5% assumed for this strategic level overview. 10% of GDV BTR / 15% of GDV Co-living and Student Accommodation.
	Affordable Housing – 6% GDV (AH revenue on SR, AR & SO); 12% GDV on First Homes.

(DSP 2025)

- 2.14.2. In relation to developer profit, for the residential typologies we have assumed a return of 17.5% on gross development value which reflects the mid-point of the PPG range of 15% - 20% for the purposes of local plan viability which and which

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we consider to be reasonable in the context of this strategic-level viability study. A suitable level of profit will vary in practice depending on scheme specifics, associated risk levels involved, range of delivery, business models and the individual requirements of the developer undertaking the scheme. In viability in planning and particularly so in the context of this high-level assessment, we cannot reflect every profit scenario or individual developer requirements, therefore it is reasonable to take the mid-point of the stated range in the PPG.

- 2.14.3. As noted earlier in this report, The BTR model is a long-term investment and is viewed differently in terms of risk/market exposure to a conventional market sale model. A buyer is typically found up front and there is therefore a lower finance risk lower due to lower holding costs.
- 2.14.4. We have seen a range of profit assumptions made for BTR, from as low as 10.0% on cost up to 15.0% on GDV (more aligned with a standard commercial development). In response to consultation carried out elsewhere in the South East, planning applicants have indicated that a 12.0% on cost or 10.0% on GDV profit would represent a minimum allowance for this development type.
- 2.14.5. Where affordable units are included there is an argument for a lower profit assumption on these – although with a lower profit applied to BTR units in the first place, the differential is much smaller than between housing for market sale and other affordable tenures. Noting the sensitivities generally regarding rent levels and yields, we have not adjusted profit where affordable housing is included in our BTR modelling.
- 2.14.6. We have assumed 10.0% GDV profit across all BTR units, whatever the tenure, in each scenario.
- 2.14.7. For Co-living units, noting the high demand for rented housing in Brighton, but also that this is a relatively new tenure type, which has been tested only in a very small number of locations outside London, we have tested a profit assumption of 15.0% (noting also that we are considering the 'key' type of Co-living provision which aligns with student housing).
- 2.14.8. Some of the typologies appraised include commercial units as part of a mixed scheme. The assumptions applied for commercial (Class E) are set out in

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Appendix 1 and include a build cost of £1,000/m<sup>2</sup> (assuming shell and core only), and a 15.0% profit assumption.

### **2.15 Build and development period**

- 2.15.1. The build period assumed for each test scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods and sales rates are noted in Appendix 1. Sales periods are offset accordingly (i.e. running after the commencement of and beyond the assumed construction period). For flatted development typologies, we have assumed a proportion of off-plan sales sold at construction completion whereas for housing/mixed development sales commence 6-months into construction.

### **2.16 Key policy areas tested alongside affordable housing - summary**

- 2.16.1. For any policies that are likely to affect development viability, we have used the Council's adopted City Plan Part 1 and 2 as the policy baseline for the study. Some policies do not add (or do not add significantly) to the typical costs of development. The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below.
- 2.16.2. Since the adoption of the City Plan, there have been changes to national policy as discussed above. Where appropriate, these are also considered within this assessment.
- 2.16.3. Although the key focus of this study is on affordable housing policy and tenure and not a viability assessment for the emerging City Plan, the Council also requested the study to consider the viability implications of potential future policy aspirations for an enhanced policy approach to climate change response and BNG (beyond the 10% national minimum requirement). Based on our wider experience and understanding of the associated costs and viability implications

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for such enhanced policy requirements, we have set out some detailed commentary below.

- 2.16.4. **Nationally Described Space Standard (NDSS)<sup>17</sup>** – Dwelling size assumptions are set out in Appendix 1 and reflect the application of NDSS (as required by City Plan Part 2).
- 2.16.5. **Accessible and adaptable homes (Building Regulations Part M)** – Policy DM1 requires all new homes to be built to Building Regulations standard M4(2) with 10% of the affordable homes and 5% of all units to be built to M4(3).
- 2.16.6. Our assessment assumes £15.5/sq. m. for achieving M4(2) compliance equating to approximately £1,400 per dwelling on average based on the ‘Raising accessibility standards in new homes’ consultation document (updated July 2022). Although this document does not reference costs to build to M4(3) standards, from experience we understand M4(3) is broadly 10x more expensive than M4(2). There is a range of information available with variable costs for this standard, but the most detailed cost analysis publicly available is derived from EC Harris Cost Impacts report produced for the Housing Standards Review which indicates a range from £120-200/sq. m. on average for M4(3). This cost analysis also confirms where defining between M4(3-a) and M4(3-b), the cost to meet the latter is more expensive – indicating a range between £132 - £281/sq. m. Reflecting the nature of a high-level viability assessment, we consider it reasonable to take a blended approach on costs for M4(3) and we have assumed a cost of £155/sq. m.
- 2.16.7. Similar to other policy costs, over time we would expect the cost of meeting this requirement to become embedded in BCIS data for Brighton & Hove, having a positive influence on viability.
- 2.16.8. **Water efficiency<sup>18</sup>** – consumption assumed to be restricted to not more than 110 litres per person per day (lpppd), on the basis the Council can appropriately demonstrate city is within an area of water stress. The overall cost impact of this requirement (compared to Building Regulations baseline of 125lpppd) is nominal

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<sup>17</sup> City Plan Part One – CP1 Housing Delivery, CP14 Housing Density and CP19 Housing mix, and City Plan Part Two – DM1 Housing Quality, Choice and Mix

<sup>18</sup> City Plan Part One – CP8 Sustainable Buildings, and City Plan Part Two – DM42 Protecting the Water Environment

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and reflected within the overall development cost allowances. No additional explicit cost assumption is required at this level.

- 2.16.9. **Parking standards – Electric vehicle charging points (EVCP)<sup>19</sup>** - now a base requirement as set out in Approved Document S of the Building Regulations. Although we assume provision of EVCPs will be included within the general build cost allowances within BCIS over time, or at least the extra over cost of these will reduce, we have applied an additional cost allowance of £865/dwelling (houses) and £1,961/dwelling (flats)<sup>20</sup>, with 1x EVCP per dwelling assumed.
- 2.16.10. However, for the high-density flatted typologies assumed to come forward in the urban and urban central areas, we have assumed 25% of the total number of units provide EVCPs. In the Brighton & Hove context given the excellent connectivity links (proximity to train station etc.) we understand some schemes are developed “car free” and therefore in this scenario the costs for EVCP could be viewed as an additional contingency allowance (with requirements for EVCPs relating only to the number of car parking spaces provided, not the number of dwellings as assumed in our appraisals).
- 2.16.11. **Building Safety Levy (BSL)** – The Building Safety Act 2022 introduced powers to impose a levy on certain new residential buildings in England, to raise revenue to be spent on building safety. This levy has been confirmed as due to be implemented as a mandatory national measure and is understood as planned to capture contributions from a wide spectrum of residential developments. However, the method of calculating the levy has yet to be confirmed and therefore its approximate cost (for example per dwelling or per sq. m.) is not yet known. Accordingly, at this stage no extra cost assumption has been made within this study. Whilst this is not expected to impact heavily in its own right on the viability of development, this may be an additional factor to consider as a part of the increasing cumulative costs of development.
- 2.16.12. **Biodiversity Net Gain (BNG)** – There is a national requirement to deliver a minimum net gain of 10% BNG which has been assumed as the baseline policy position within our testing. For the purposes of this assessment, we have applied

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<sup>19</sup> City Plan Part One – CP9 Sustainable Transport, and City Plan Part Two – DM36 Parking and Servicing

<sup>20</sup> Residential Charging infrastructure provision – Final Impact Assessment (2021) -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1040255/residential-charging-infrastructure-provision-final-impact-assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040255/residential-charging-infrastructure-provision-final-impact-assessment.pdf)

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costs equivalent to achieving a 10% net gain within all of the modelling undertaken to date. This assumes Scenario C (worst case) as set out in the Impact Assessment<sup>21</sup> associated with the Government consultation on BNG – 2021 assessment work as a proxy to the uplift to the cost of achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment).

- 2.16.13. It should be noted that where a cost allowance (rather than physical provision) is made, this is a proxy for the cost of achieving the relevant requirements; suitable for a high-level assessment such as this where site specific allowances cannot be made for site typologies. We consider there is a cross-over between requirements for provision of on-site Green Infrastructure, BNG, open space and blue infrastructure etc. with multi-function spaces and the range of assumptions made within the assessment. On this basis, the allowances made for BNG could be considered at the upper end and potentially an over allowance.
- 2.16.14. As part of this assessment, the Council seeks to understand to what extent 20% BNG would impact development viability overall, alongside all other development and policy costs. Figure 10 below sets out the assumed proxy cost assumptions for the baseline policy position (10% BNG) alongside the cost assumptions should 20% BNG be required.

**Figure 14: BNG Proxy costs comparison**

BNG Proxy Costs Comparison	10% BNG		20% BNG	
	% of base build cost	£/sq. m.	% of base build cost	£/sq. m.
<b>Greenfield</b>	2.40%	£39.43	2.86%	£46.99
<b>PDL</b>	0.50%	£8.21	0.60%	£9.86

(DSP 2025)

- 2.16.15. From the above, we can see the cost difference between 10% BNG and 20% BNG is relatively minimal equating to an increase of £7.56/sq. m. (or 0.46% on base build) for greenfield land and £1.65/sq. m. (or 0.1% on base build) for PDL. As noted above, these are proxy cost assumptions based on the worst-case scenario (i.e. 100% delivered via off-setting) to reflect the assumed cost per Biodiversity Unit (BU) of £20,000/BU.

<sup>21</sup> DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

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- 2.16.16. According to the Impact Assessment, should BNG be delivered on-site, the cost to development overall is typically lower than assuming fully via off-setting. In a fully on-site scenario, delivery of BNG on-site would not be provided in isolation.
- 2.16.17. Subject to the corresponding local evidence and justification for an increased level of BNG at 20% alongside detailed plan-wide viability testing as part of the emerging City Plan development, this policy position appears viable and is unlikely to make an otherwise viable scheme unviable.
- 2.16.18. **Climate change response** – A new Approved Document Part L published on the 15<sup>th</sup> December 2021 came into effect on 15<sup>th</sup> June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity. Volume 1 of Part L relates to new dwellings, and extensions to and work on existing dwellings. Volume 2 relates to other buildings. The recent changes to Approved Document Part L form part of the government’s move toward net zero carbon, including through the proposed Future Homes Standard (FHS) and Future Buildings Standard (FBS) which will see a phased reduction in energy use. The new Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is proposed as an interim step prior to a full Future Homes and Future Building Standard which were due to be implemented in 2025. However significant uncertainty remains as to whether the current Government will proceed on this basis.
- 2.16.19. It is our understanding that the FHS intends to set out requirements for developments to achieve a 75% reduction in carbon emissions from new homes compared to current Part L Building Regulations (2021). The first phase of Government consultation states that from 2025 new homes will be “zero carbon ready” i.e. no further retrofitting for energy efficiency will be required to achieve “zero carbon” status, as the electricity grid continues to decarbonise.<sup>22</sup>

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<sup>22</sup> MHCLG: The Future Homes Standard 2019 Consultation document and summary

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- 2.16.20. In the Brighton and Hove context, the current Building Regulations Part L (2021) (and shortly the FHS 2025) supersedes the Council's adopted policy approach set out in Policy DM44 of the City Plan Part 2. On this basis, the baseline study assumptions for climate change response reflect FHS (2025) assuming +2% uplift to base build costs<sup>23</sup> (equating to approximately £32.86/sq. m.).
- 2.16.21. As part of this assessment, the Council seeks to understand whether an enhanced policy approach beyond current Part L (2021) and FHS 2025 could be viably supported.
- 2.16.22. For added context, we are aware of a number of LPAs seeking to implement progressive climate response policies beyond the FHS 2025 with some already having implemented this approach following examination e.g. Central Lincolnshire Council, Cornwall Council. In addition, there now appears to be a consensus between specialist consultancies that the costs to achieve enhanced energy efficiency standards will reduce over time as construction teams become more experienced and as new build methods and offsite manufactured systems become more widespread.
- 2.16.23. Typically, LPAs with enhanced climate response policies seek to achieve net zero operational energy compliance with detailed specification requirements aligning with the Low Energy Transformation Initiative (LETI) based on energy use intensity (EUI) targets. These targets relate to space heating demand (at <15kWh/M<sup>2</sup>/year) and operational energy use (at <35kWh/M<sup>2</sup>/year) alongside maximising on-site renewable energy generation equivalent to on-site energy demand. The costs to achieve this standard vary depending on the type/form of development but broadly these tend to be in the region of +5% (on base build cost) assuming a Part L 2021 baseline<sup>24</sup>. Figure 15 below provides an indicative high-level comparison for the above.

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<sup>23</sup> Based on DSP review of a range of publicly available information

<sup>24</sup> Based on evidence produced by Currie & Brown and Introba

**Figure 15: Climate change response – high-level cost comparison**

Climate Change Response - High-level Costs Comparison	% of base build cost	Mixed Houses/Flats	Flats 3-5 Storey	Flats 6+ Storey
		£/sq. m.	£/sq. m.	£/sq. m.
<b>Building Regulations Part 2021 baseline</b>	Incl. BCIS base build cost			
<b>FHS 2025</b>	<b>+2%</b>	£32.86	£37.32	£44.02
<b>LETI-based EUI Targets</b>	<b>+5%</b>	£82.15	£93.30	£110.05

(DSP 2025)

- 2.16.24. Some policies also include reference to energy offsetting should on-site solutions not be possible. From a viability perspective, where off-site contributions are required, we would expect these to be no less viable than on-site solutions. In addition, whole lifecycle embodied carbon (including upfront embodied carbon) is now also emerging as a key policy element which, depending on the individual policy requirements, could be highly variable, potentially increasing the cost to development from 0% to +15% (on base build).
- 2.16.25. Another emerging dimension to zero carbon construction is in relation to a potential positive impact on sales values. Anecdotal indications suggest there may be some potential values uplift or premium attached to zero carbon homes, certainty in the context of desirability owing to lower running costs. However, this is difficult to weigh up in the broader viability context with confidence.
- 2.16.26. Overall, as part of the City Plan review the Council will need to consider the viability impact of an enhanced policy approach as part of the plan-wide viability assessment. We would usually expect this to be supported by appropriate evidence of costs from a specialist energy consultancy. The high-level cost indications noted in Figure 15 may well vary, potentially significantly so, depending on the Council's future supply picture amongst other considerations including the extent of the policy requirements.
- 2.16.27. In this context, we consider the viability impact of FHS 2025 is relatively minimal in isolation. However, policy seeking to go beyond FHS 2025 aligning to LETI EUI targets or similar has a potential variable viability impact. As above, this would need to be considered in detail as part of a plan-wide viability assessment.

## 2.17 Indicative land value comparisons and related discussion

- 2.17.1. In order to consider the likely viability of any development scheme, the results of the appraisal modelling need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, and as other assumptions such as build cost are varied.
- 2.17.2. The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.
- 2.17.3. As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value and particularly where an implementable planning consent forms a suitable basis for an alternative use value (AUV) based approach.
- 2.17.4. As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as 'Viability Tests', based on the principles of 'existing use value plus' (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case.
- 2.17.5. As noted in section 1, above, we have used a larger number of typologies than would typically be tested for LP viability purposes in this case, to reflect the differing (mainly urban) types of site and development. In each case a specific BLV has been selected linked to the relevant typology.
- 2.17.6. Therefore the results shown in the tables in Appendices 2, 3 and 4 are a residual value for the relevant typology/scheme tested against a range of benchmark land values (low, medium, high) for a site most likely to apply to the specific typology.

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- 2.17.7. The coloured shading within the results tables appended to this report therefore indicates whether the scheme residual value will support a low, medium or high BLV for that typology. This shows the tone of results through the BLV range for that site and can also be considered in terms of the location of the site and a suitable value level. This is all considered in our interpretation of results – also noting the different CIL zones and rates and the tone of sales value within those zones.
- 2.17.8. It is important to note when viewing the results tables that the results for the typologies are not being compared with the same benchmarks as each other; a specific range of BLVs applies to each specific typology host site type.
- 2.17.9. The approach taken here allows for consideration of site value in terms of, for example, the premium that might apply for a site which can accommodate very high rise housing, or higher values on a per hectare/per acre basis that may be seen on very small sites. This is particularly useful in the Brighton & Hove context where much of the site supply is infill or will accommodate flattened development.
- 2.17.10. The BLV range for each of the 24 typologies is set out in Appendix 1.
- 2.17.11. The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Whilst our chosen BLVs (range) consider the type and current use of sites, schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.17.12. As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies both at a strategic level as well as site-specific viability assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal<sup>25</sup> providing industrial,

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<sup>25</sup> MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

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office, residential and agricultural land value estimates for locations across the country – including Brighton<sup>26</sup>.

- 2.17.13. It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).
- 2.17.14. Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing affordable housing and other provision) is not overly squeezed beneath the levels that should be achieved.
- 2.17.15. The PPG<sup>27</sup> states the following:

*‘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 comply with policy requirements. This approach is often called ‘existing use value plus’ (EUV+)...*

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<sup>26</sup> It should be noted that the MHCLG residential land value estimates require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.

<sup>27</sup> <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509 Revision date: 09.05.2019

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*Benchmark land value should:*

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

*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 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.*

*Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement)<sup>7</sup>.*

## 3. Findings Review

### 3.1 Background to findings – Stage 1 of the study (emerging findings stage)

- 3.1.1. Stage 1 of this study involved agreeing the typologies to be tested, setting assumptions at a suitable level with regard to BHCC policies and their estimated cost, DSP research and responses from the stakeholder consultation. This was followed by initial testing of viability using a limited number typologies, appraising two different tenure mixes.
- 3.1.2. Feedback from the stakeholder consultation included information on the density of past and current developments, affordable housing transfer values, indications of sales rates and sales values, the impact of energy efficiency on pricing, tender pricing information, statements regarding professional fees costs and finance costs; and plot values (although with reference to prices paid on the market rather than views on EUV or EUV+). We also received general commentary on the current situation with a lack of appetite amongst Registered Providers for acquiring S106 units.
- 3.1.3. The above responses, along with discussions with BHCC officers, enabled us to amend and finalise assumptions ready to move to the current stage of appraisal testing.
- 3.1.4. BHCC's current policy on tenure mix is for 55% to be rented and 45% intermediate tenures, which following a requirement for 25% of the overall affordable housing to be First Homes led to a mix of 55% rent, 20% intermediate and 25% First Homes). However councillors and officers are keen to seek a tenure mix which better meets the currently identified housing needs (per the most recent Strategic Housing Market Assessment) which indicates a requirement for 75% rented (either social rent or Affordable Rent capped at LHA levels) and 25% intermediate tenures.
- 3.1.5. Therefore as part of Stage 1 we tested the current policy (assumed as 55% rented, 20% shared ownership, 25% First Homes) as well as the preferred mix

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which we assumed to be 75% rented (split 50/50 LHA max) and 25% intermediate tenure.

- 3.1.6. As well as testing variations to tenure across different value levels and CIL zones, the appraisals considered two levels of build cost (one based on the median rates indicated by BCIS and the other on the Upper Quartile rates).
- 3.1.7. The results for the typologies tested (chosen because they broadly represented the spread of the most common general and specialist development types in B&H) indicated that a change to the preferred tenure mix did not make a significant difference to the viability position.
- 3.1.8. We also noted that there was relatively little differentiation by CIL zone. This was mainly due to the differing CIL rates which adjust CIL costs downwards in CIL Zones 2 and 3, where lower sales values are encountered and therefore already act as a differentiating factor.
- 3.1.9. As expected, the results also indicated that viability was much stronger with median BCIS rates applied. However feedback from the stakeholder consultation and experience 'on the ground' with site specific viability assessments suggested that in some cases the median rates were possibly too low on some schemes / typologies– particularly in the case of higher rise developments where additional costs are likely to arise and/or where a greater contingency needs to be allowed for.
- 3.1.10. In terms of the levels of affordable housing supported by the Stage 1 findings, the results broadly showed that for schemes of houses and/or greenfield sites 30% to 40% affordable housing would be supported but for flatted development/PDL sites 20% was likely to be the maximum that could be justified.
- 3.1.11. On the basis of the emerging findings Stage 1 results, and following discussion with BHCC officers, it was agreed to proceed to the current and final stage (Stage 2), testing a full range of typologies but focusing on the preferred tenure mix only.

## 3.2 Stage 2 Findings – January 2025

3.2.1. The full set of appraisal results are set out in Appendices 2, 3 and 4. As noted above, the £ amounts shown in the results tables are the residual land values (RLVs) for that typology, and the shading represents whether the RLV meets the assumed Benchmark Land Value (BLV) for the site.

- White boxes = fails to meet the lowest BLV tested
- Light green = RLV supports the ‘low’ BLV
- Darker green = RLV supports the ‘medium’ BLV
- Darkest Green = RLV supports the ‘high’ BLV

3.2.2. Different sales Value Levels are tested in each row, and different affordable housing percentages in each column.

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3.2.3. To aid interpretation of the results, the key Value Levels for each CIL Zone have been outlined within the results table, as shown below<sup>28</sup>:

AH Tenure	Upper Quartile Build Cost [HQ BCIS]											
Indexed Rate	Indexed Rate £199.63 [Residential Zone 1]				Indexed Rate £171.11 [Residential Zone 2]				Indexed Rate £85.55 [Residential Zone 3]			
Value Levels (£ per sq. m.)	10% AH	20% AH	30% AH	40% AH	10% AH	20% AH	30% AH	40% AH	10% AH	20% AH	30% AH	40% AH
	Residual Land Value (£)				Residual Land Value (£)				Residual Land Value (£)			
Value Level 1 £5,000	-£2,774,528	-£3,500,272	-£4,233,711	-£4,975,816	-£2,651,811	-£3,397,387	-£4,150,712	-£4,912,703	-£2,177,461	-£2,981,923	-£3,794,206	-£4,615,155
Value Level 2 £5,250	-£1,741,233	-£2,566,312	-£3,402,316	-£4,248,615	-£1,617,946	-£2,463,140	-£3,319,027	-£4,185,212	-£1,143,030	-£2,047,388	-£2,962,231	-£3,887,375
Value Level 3 £5,500	-£718,302	-£1,640,114	-£2,575,505	-£3,524,231	-£594,745	-£1,536,368	-£2,491,929	-£3,460,538	-£119,536	-£1,120,056	-£2,134,847	-£3,162,613
Value Level 4 £5,750	£283,166	-£722,800	-£1,753,963	-£2,803,376	£394,716	-£618,779	-£1,670,088	-£2,739,683	£823,744	-£202,179	-£1,312,722	-£2,441,556
Value Level 5 £6,000	£1,206,438	£181,664	-£940,996	-£2,086,538	£1,317,988	£277,488	-£856,570	-£2,022,339	£1,747,017	£653,603	-£498,638	-£1,723,926
Value Level 6 £6,250	£2,129,711	£1,011,318	-£129,852	-£1,374,680	£2,241,261	£1,105,230	-£45,426	-£1,310,132	£2,670,289	£1,481,346	£290,529	-£1,011,149
Value Level 7 £6,500	£3,052,983	£1,839,060	£623,477	-£668,625	£3,164,533	£1,932,973	£699,698	-£603,794	£3,593,562	£2,309,088	£1,022,847	-£304,529
Value Level 8 £6,750	£3,976,256	£2,666,803	£1,355,795	£34,607	£4,087,806	£2,760,715	£1,432,017	£95,405	£4,516,834	£3,136,830	£1,755,166	£370,422
Value Level 9 £7,000	£4,899,528	£3,494,545	£2,088,113	£678,673	£5,011,078	£3,588,457	£2,164,335	£737,204	£5,440,106	£3,964,578	£2,487,484	£1,007,387

Residential CIL Zone Areas		Viability Indications Key PDL
1		Indicative non-viability
2		Low PDL BLV
3		Medium PDL BLV
		High PDL BLV

<sup>28</sup> Further details on value levels and locations within the City are set out in Appendix 1.  
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### 3.3 Results summary

3.3.1. The table below provides a brief summary of the results, with commentary on the likely location and values.

3.3.2. For ease of reference, the typologies have been colour-coded by result:

RESULTS SUMMARY - KEY	
GREEN	Viable with current policy
ORANGE	Viable in cases where higher value levels/lower BLVs can be achieved
RED	Results indicate that current policy level will not be supported in most cases

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>3 houses (Greenfield)</b>	Viable in all scenarios/at all value levels. There is no AH requirement currently.	0%	Y	N/A
<b>3 houses (PDL)</b>	Viable in most scenarios. There is no AH requirement currently.	0%	Y	N/A
<b>3 flats (PDL)</b>	Only meets the lower BLV. Results indicate that viability is marginal.	0%	N	N/A
<b>9 houses (Greenfield)</b>	Viable with current policy requirement, in all scenarios/at all value levels tested. Falls below the (national) 10-unit threshold.	20%	Y	35 to 40%
<b>9 houses (PDL)</b>	Viable with current policy requirement in all scenarios/at all value levels tested. Falls below the (national) 10-unit threshold.	20%	Y	20 to 35%
<b>15 houses (Greenfield) – Terrace/Mews</b>	Viable for all scenarios/value levels tested. Will likely meet current policy.	40%	Y	40%+
<b>15 houses (PDL) – Terrace/Mews</b>	Current policy requirement is viable in most scenarios.	40%	Y	30% to 40%+

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>9 flats (PDL) – Office conversion</b>	20% is a challenging target – achievable with BCIS median costs assumed however costs might be higher. Likely to be viable on high value sites (but which will also have a high BLV as assumed in our appraisal testing).	20%	Y	10 to 20%
<b>50 flats (PDL) – Office conversion</b>	40% AH not supported by the appraisal results. 30% supported, but likely to be challenging in some scenarios. Requires a low to medium BLV in whichever area.	40%	N	20 to 40%
<b>25 Houses (Greenfield)</b>	Viable for all scenarios/value levels tested. Will likely meet current policy.	40%	Y	40%+
<b>25 Houses (PDL)</b>	Supports the policy requirement in most scenarios.	40%	Y	40%
<b>25 Flats (PDL)</b>	Not viable with the policy requirement. Marginal viability with 20% AH. Only 10% to 20% supported in most cases.	40%	N	10 – 20%
<b>50 units (mix of houses and flats) (Greenfield)</b>	Viable for all scenarios/value levels tested. Will likely meet current policy.	40%	Y	40%+

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>100 units (mix of houses and flats) (Greenfield)</b>	Viable for all scenarios/value levels tested. Will likely meet current policy.	40%	Y	40%+
<b>50 flats (PDL)</b>	More viable than the 25 flats scenario due to increased density when testing median build costs, <i>however</i> more likely to require upper quartile build costs due to height/density. This suggests 20 to 30% AH.	40%	N	20 to 30%
<b>100 flats (PDL) 250 dph.</b>	Again, when testing median level build costs viability is fairly strong however most likely to occur in Zones 1 and 2 with medium to high BLV and to have build costs above median level (therefore Upper Quartile build costs considered more relevant as part of the overall assumptions here). This typology appears less viable in CIL Zone 3, however this typology/density of development is unlikely to occur in that area.	40%	N	10 to 30%

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>100 flats (PDL) with ground floor commercial units. 250dph.</b>	Upper Quartile build costs likely to be required and on that basis viability is likely to fall between 10% - 30%.	40%	N	10 to 25%
<b>300 flats (6 to 10 storeys) (PDL)</b>	Policy level is not supported at median level build costs sensitivity test. Key test of UQ costs indicates circa 10% AH. Not viable in Zone 3 due to the sales values not being sufficient to support the necessary build costs, however unlikely for this typology to occur in Zone 3.	40%	N	10 to 20%
<b>300 flats (6 to 10 storeys) (PDL) with ground floor commercial units.</b>	As per 300 flat typology above however with weaker results – loss of some market units to incorporate commercial has resulted in lower GDV overall but similar build costs.	40%	N	5 to 15%

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>300 flats (11 to 18 storeys) (PDL)</b>	Viability is not strong for this typology. Likely to achieve higher values overall, however BLV assumption is higher and build costs are likely to be at a higher level. Upper Quartile results are key (with median build costs a maximum of 30% AH is indicated).	40%	N	10 to 20%
<b>300 flats (11 to 18 storeys) (PDL)</b>	As above typology but with weaker viability. Achieving 10% AH is reliant on upper end values.	40%	N	5 to 20%
<b>300 studios (purpose-built student accommodation).</b>	Assumes 80% of units are 'cluster accommodation'. If 100% cluster units were to be assumed viability would be stronger. Based on the policy nil AH, the typology is generally viable.	0%	Y	Current policy does not require AH from student housing and our appraisals indicate that without AH included this development type is broadly viable. Where lower BLVs or higher rents are assumed a surplus is indicated which suggests that there could be potential

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
				scope for affordable housing contributions. (This could be explored further as part of the City Plan review).
<b>60 flats (sheltered retirement accommodation)</b>	A surplus is indicated in some cases, which would support a contribution to affordable housing, although is reliant on upper end values and mid-level land values. We note that very little of this accommodation appears to come forward in BHCC, with most being located in neighbouring areas such as Worthing.	Policy DM4 of City Plan Part Two states that <i>‘In accordance with City Plan Part One Policy CP20 Affordable Housing, the council will seek an element of affordable housing provision for older persons as part of appropriate market-led developments for older people.’</i>	We understand that in practice currently the contribution to affordable housing requested by the Council depends on the type of retirement accommodation being proposed and typically affordable housing is not sought by BHCC from retirement developments.	20 to 40%
<b>100 flats (extra care)</b>	Our research indicates extra care values in Brighton are likely to be in the VL10+ range and as such will support 20 to 30% AH.	Policy DM4 of City Plan Part Two states that <i>‘In accordance with City Plan Part One Policy CP20 Affordable Housing, the</i>	As for sheltered housing, above, we understand that in practice currently the contribution to	20 to 30%

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
		council will seek an element of affordable housing provision for older persons as part of appropriate market-led developments for older people.’	affordable housing requested by the Council depends on the type of retirement accommodation being proposed.	
<b>65-unit Nursing Home (C2)</b>	Reliant on upper end values to meet medium/upper BLVs (assuming nil AH)	0%	Y	N/A
<b>6-storey Build to Rent (200 units)</b>	<p>Only viable when assuming the higher rent levels tested <u>alongside nil Affordable Housing</u>. BHCC policy is for affordable units to be provided on site (as APR) within BTR schemes. We have assumed BTR will only come forward in CIL Zones 1 and 2.</p> <p>We note that where a 100% BTR scheme is viable it is likely to support some level of AH. (Inclusion of AH is not the principal factor in viability).</p>	20%	N	0 to 10%

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TYPOLOGY	COMMENTS	CURRENT POLICY POSITION (% AH REQUIRED)	SITES GENERALLY ABLE TO ACHIEVE CURRENT POLICY	LEVEL OF AH INDICATED BY APPRAISAL RESULTS (RANGE)
<b>6-storey Build to Rent (500 units)</b>	Similar but slightly weaker results to 200-unit BTR scheme results. Upper end rents and nil AH required before a surplus is shown. (As above - inclusion of AH is not the principal factor in viability of BTR)	20%	N	0 to 10%
<b>Co-living</b>	The 'High' rent level for Co-living assumes aparthotels, whereas 'Low' to 'Medium' rent assumes the PBSA-type model. The results are highly variable according to the type of Co-living accommodation being provided, the location, and the rent level achieved. However even at the lower rental level it is likely that most Co-living schemes would have at least some capacity to support a financial contribution.	Nil on site, however BHCC policy indicates that a financial contribution will be sought to enable AH provision elsewhere.	Y	Wide range of potential surpluses/contributions.

## 4. Findings Summary

### 4.1 Residential typologies

- 4.1.1. The results for all typologies which include houses indicate positive viability with current policies applied. This is regardless of whether situated on Greenfield or PDL sites. However the likelihood of developments of houses coming forward on PDL sites, particularly in CIL Zones 1 and 2, is low and this is unlikely to align with the Council's need to achieve the required housing numbers and meet identified needs; with relatively high density development being key to B&H's ability to deliver new homes with the available land.
- 4.1.2. The flatted typologies, by contrast, of whichever size, indicate a challenging viability picture and in most of the scenarios tested the appraisals indicated that the full policy requirement for the relevant number of units is unlikely to be met.
- 4.1.3. The 3-unit flatted PDL scheme indicates marginal viability, even with the current nil affordable housing policy.
- 4.1.4. The most viable of the flatted scenarios tested is the 9 flats (office conversion) scenario. The relatively strong viability is based on the chosen Benchmark Land Value range, noting that office buildings in very good condition and with a strong revenue are unlikely to come forward for development, as they will be viable/lucrative in their existing use. Also this scenario assumes a commuted sum payment rather than on-site provision. Policy requires 20% affordable housing (equivalent) and the results indicate that 10% to 20% affordable housing is viable – suggesting that the current 20% affordable housing is a suitably challenging target albeit the policy is set below the national minimum threshold of 10 units.
- 4.1.5. Despite high sales values in B&H, even in the 'lower value' areas for the most part, the combined cost of build costs for flats and existing use values is high in relation to sales values, and this means that for flatted typologies, between 10% and 30% affordable housing is shown to be supportable. Therefore based on

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present day costs/values, the 40% required by policy is not shown to be supported.

- 4.1.6. It is important for targets not to be reduced too far, as this would allow some developments to provide less than they could viably provide – however targets will also need to be pitched at a point where development is not constrained or delayed, and with a view to minimizing site-specific viability discussions. Based on finding this balance, the results suggest that a 20% affordable housing target across all flatted typologies would be a more suitable target at this time.
- 4.1.7. The inclusion of commercial units within flatted developments has a negative effect on viability. This appears to be because their value is relatively low and the space taken by the commercial units means the loss of some residential units for sale. However we do not consider the difference in results to be sufficient to justify a policy differentiating between schemes that include some commercial and those that don't (particularly as provision of commercial units is part of a wider strategy for employment uses in the area, therefore viability is not the sole consideration).
- 4.1.8. To summarise, there is a case for differentiation between schemes of only flats, and those schemes which are mixed houses/flats or only houses. As noted at the emerging findings stage there is not much effect on viability of changing CIL Zone because the CIL rates already differ which provides some adjustment. Plus some of the schemes are likely only to come forward in one or two CIL Zones, not all three. And/or if looking at results for a particular CIL Zone, the sales values and likely land values are lower for Zones 2 and 3 so this also balances out the lower residual values being generated by the appraisals.
- 4.1.9. The results show that for schemes including houses and/or greenfield up to the 40% affordable housing policy requirement will be supported but for flatted only development 20% is likely to be the maximum that can be justified.

## 4.2 Specialist typologies

### Student accommodation

- 4.2.1. Purpose-built student accommodation is not required to make contributions to affordable housing currently. The appraisal testing indicates that with nil affordable housing, these developments are viable in most scenarios. The appraisal results also suggest that frequently there is likely to be scope for at least some form of contribution towards affordable housing – if the Council considers it justified to seek contributions from such schemes and there is a clear, practical basis for setting out and realising those. The scope for suitable contributions could be explored further in due course, depending on circumstances and likely subject to review of further testing, we suggest, informing any further potential policy development in this area.

### Sheltered housing

- 4.2.2. Policy requires 40% affordable housing from sheltered housing, and the results indicate a range of between 20% and 40% is likely to be achievable. In order to provide 40% affordable housing it would be necessary to achieve the upper end of the potential values whilst also assuming a medium-value site in terms of BLV (existing use). This does not appear to be a very common typology in Brighton & Hove, however where it might occur, the results suggest that 30% would be a more suitable target (for on-site affordable housing or an equivalent financial contribution).

### Extra care housing

- 4.2.3. The results for extra care modelling indicate that a target of between 20% and 30% would be appropriate based on the current set of results.

### Nursing Home

- 4.2.4. BHCC policy does not require CIL to be paid on C2 Nursing Homes, nor is affordable housing a requirement. On this basis the nursing home typology is shown to be broadly viable – although reliant on upper end values to meet medium or upper BLVs. In terms of the capacity of such developments to contribute to affordable housing, the results indicate that in most cases this would not be possible, however if the upper end of values are achieved and the BLV of a site is medium to high then as with student housing, the results suggest that

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there is some scope for payments in lieu (as per student accommodation, above).

### **Build to Rent**

- 4.2.5. Schemes of 200 and a more densely developed site of 500 units were tested, both of which indicate that somewhere between 0% and 10% affordable housing will be supported.

### **Co Living**

- 4.2.6. In contrast to the BTR scenarios, Co-living shows fairly strong viability. Tested with nil affordable housing a significant surplus is shown in most cases suggesting that a contribution could be made towards affordable housing. However, as noted in the table above, there can be a wide range of potential scheme types for Co-living, and a wide range of rents potentially achieved. At this stage it seems likely that a suitable contribution could be requested (potentially based on an equivalent % of floor area or similar) but that this might require site-specific viability testing based on the nature/design of the scheme being proposed.

## **4.3 Other Matters**

### **BNG, and Climate Change**

- 4.3.1. As set out in 2.123 onwards, above, we have considered the impact of BNG and net zero requirements.
- 4.3.2. Subject to the corresponding local evidence and justification for an increased level of BNG at 20% alongside detailed plan-wide viability testing as part of the emerging City Plan development, this policy position appears viable and would not be the cause of moving an otherwise viable scheme into a non-viable position.
- 4.3.3. Overall, as part of the City Plan review the Council will need to consider the viability impact of an enhanced policy approach on climate change as part of the plan-wide viability assessment and its consequent impact on affordable housing and other policy requirements. We would usually expect this to be supported by appropriate evidence of costs from a specialist energy consultancy. The high-

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level cost indications we have assumed may vary, potentially significantly so, depending on the Council's future supply picture amongst other considerations, including the extent of the policy requirements.

- 4.3.4. In this context, we consider the viability impact of FHS 2025 is relatively minimal in isolation. However, policy seeking to go beyond FHS 2025 aligning to LETI EUI targets or similar has a potentially variable viability impact. As above, this would need to be considered in detail as part of a plan-wide viability assessment.

**Report ends.**

**APPENDICES**

**Appendix 1 – Typologies and Assumptions Summary**

**Appendix 2 – Results tables – Residential typologies**

**Appendix 3 – Results tables – Specialist typologies (BTR and Co-Living)**

**Appendix 4 – Results tables – Specialist typologies**

**Appendix 5 – Market and Value Research**

<b>Viability - Quick reference Glossary</b>		
<b>'Actual Profit'</b>		Profit outcome taking into account any surplus or deficit indicated by a viability appraisal.
<b>Affordable housing</b>		Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers).
<b>AONB</b>	Area of Outstanding Natural Beauty	An area designated for its national landscape beauty value. The primary purpose is to conserve and enhance the natural beauty of the landscape.
<b>AUV</b>	Alternative Use Value	The value of land for uses other than its existing use. The PPG states that if used to establish Benchmark Land value this should be limited to uses which comply with development plan policies. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV. Should be supported by evidence of the costs and values of the AUV. Not necessary/appropriate to include any additional premium.
<b>BCIS</b>	Building Cost Information Service	Source of construction data (costs, timings, indices) - e.g. average build costs for different property types, adjusted by local authority area.
<b>Biodiversity</b>		The whole variety of life encompassing all genetics, species and ecosystem variations, including plants and animals.
<b>BNG</b>	Biodiversity Net Gain	Delivery of measurable improvements for biodiversity by creating or enhancing habitats in association with development.
<b>Blue Infrastructure</b>		Streams, ponds, canals and other water bodies.
<b>BLV</b>	Benchmark Land Value	Land value for use in viability appraisal, based on existing use value plus a premium (EUV+), or on a suitable alternative use value (AUV). Benchmark Land Value is either included as a cost within viability appraisals or deducted from the Residual Land Value.
<b>BREEAM</b>	Building Research Establishment Environmental Assessment Method	It is a methodology which uses rating systems of building and works and is used to ensure that sustainable design and materials are used.
<b>Carbon Neutrality</b>		All carbon emissions are balanced with offsets based on carbon removals or avoided emissions.
<b>Climate change</b>		Long-term changes in temperature, precipitation, wind and all other aspects of the Earth's climate, primarily considered to be the consequence of human activity and fossil fuel consumption.
<b>CIL</b>	Community Infrastructure Levy	A charge which development will pay to help fund infrastructure needed to support development in the area.
<b>D&amp;A</b>	Design and Access Statement	A document provided to support a planning application that sets out the rationale and process that has been gone through in developing the design strategy for a proposal. Its formulation will depend in part on the nature of the proposal and the associated design issues present.
<b>Deficit</b>		Resulting (negative) amount when RLV (Residual Land value) is less than Benchmark Land Value.

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<b>Density</b>		In the case of residential development, a measurement of either the number of habitable rooms per hectare or the number of dwellings per hectare.
<b>Developer contributions</b>		Contributions from development proposals towards the provision of infrastructure and services necessary to serve the development such as schools, affordable housing or transport. Contributions may be financial or by direct provision of works or land, secured through legal agreements.
<b>EC</b>	Extra Care	Self-contained accommodation which provides flexible care and support arrangements to meet the increasing needs of people whilst enabling them to stay in their homes as they get older.
<b>EUV</b>	Existing Use Value	Value of a site/building/land in its existing/current use. <u>Not</u> the same as market value which is the amount someone is willing to pay for the land, and might include 'hope value' related to development.
<b>EUV+</b>	Existing Use Value plus Premium	The existing use value of land, plus a suitable premium representing the minimum amount required to incentivise a landowner to sell the land for development.
<b>GDV</b>	Gross Development Value	The value of a development, i.e. the sum of the sales values and any capitalised rents, for the residential and commercial elements of a scheme. 'Gross' meaning before any deductions for sellers' costs.
<b>Green Infrastructure</b>		Green infrastructure comprises strategically planned and delivered network of high quality green spaces and other environmental features and includes parks, open spaces, playing fields, woodlands, allotments and private gardens.
<b>GL</b>	Greenfield Land	Land (or a defined site) which has never been built on before or where the remains of any structure or activity have blended into the landscape over time.
<b>Green Belt</b>		Land designated around built-up areas to prevent urban sprawl by keeping land permanently open and where inappropriate development is tightly controlled.
<b>IDP</b>	Infrastructure Delivery Plan	A document identifying future infrastructure and service requirements identified by the Council and other service providers needed to support the delivery of the Core Strategy proposals within the Local Plan.
<b>LHNA</b>	Local Housing Needs Assessment	Provides evidence of the types of housing that will be needed across a authority within their identified housing requirement for the local plan period.
<b>LP</b>	Local Plan	A plan for the future development of a local area, drawn up by the local planning authority in consultation with the community. In law this is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. A local plan can consist of either strategic or non-strategic policies, or a combination of the two.
<b>LPA</b>	Local Planning Authority	The local authority or council that is empowered by law to exercise planning functions. Often the local borough or district council.
<b>LTP</b>	Local Transport Plan	A five-year integrated transport strategy, prepared by local authorities in partnership with the community, seeking funding to help provide local transport projects. The plan sets out the resources predicted for delivery of the targets identified in the strategy.
<b>Mixed Use Development</b>		Provision of a mix of complementary uses, such as residential, community and leisure uses, on a site or within a particular area.
<b>Net zero</b>		There are either no greenhouse gas emissions being released into the atmosphere or emissions and removals are balanced out to reach 'zero'.

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<b>NP</b>	Neighbourhood Plan	A document which sets out planning policies to approve planning applications. It is written by a parish council or neighbourhood forum for a designated neighbourhood area.
<b>NPPF</b>	National Planning Policy Framework	Document setting out the government's planning policies for England and how they are expected to be applied.
<b>Open Space</b>		All space of public value, including not just land, but also areas of water such as rivers, canals, lakes and reservoirs, which can offer opportunities for sport and recreation. They can also act as a visual amenity and a haven for wildlife.
<b>PDL</b>	Previously Developed Land or 'Brownfield' Land	Land which is or was occupied by a permanent structure, including the curtilage of the developed land (although it should not be assumed that the whole of the curtilage should be developed) and any associated fixed surface infrastructure [As described in NPPF].
<b>PPG</b>	Planning Practice Guidance	National online planning guidance which gives greater detail to the national planning policy framework.
<b>Profit</b>	AKA Developer Return, Developer Margin	Typically seen as a cost alongside other development costs. Or similarly, as a target that has to be reached before any surplus is identified. The PPG suggests that 15% to 20% GDV may be considered a suitable return for plan-making purposes (with lower assumptions appropriate for affordable housing and other development types).
<b>Renewable energy</b>		Energy generated from the sun, the wind, water and plant material (biomass).
<b>Review mechanism</b>	AKA 'clawback' clause	A clause in a legal agreement to allow viability to be revisited at a later stage in the project, to establish whether any further contributions can be made if the viability position has improved. Applied when a below-policy level of contributions has been agreed, and typically 'upwards only' i.e. only resulting in an increase to planning contributions, not a decrease from what has already been agreed.
<b>RICS</b>	Royal Institution of Chartered Surveyors	A global professional organization that establishes and enforces standards for valuing, operating, and developing assorted types of real estate and property.
<b>RLV</b>	Residual Land Value	The amount remaining after development costs have been deducted from development values
<b>RP</b>	Registered Provider	A not-for-profit organisation, usually a housing association but which may include developers, registered by the HCA to provide affordable housing.
<b>S106</b>	Section 106 Agreement	Section 106 of the 1990 Town & Country Planning Act allows a local planning authority to enter into a legally-binding agreement or planning obligation with a landowner in association with the granting of planning permission. They are used to support the delivery of services or infrastructure such as transport, recreation, education and affordable housing. Once adopted CIL will partially replace and supplement the S106 system, but S106 agreements will continue for site-specific mitigation of development.
<b>SA</b>	Sustainability Appraisal	The process of appraising the economic, environmental and social effects of a plan to allow decisions to be made that accord with sustainable development.

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<b>Safeguarded Land</b>		A term to describe land that has been removed from the Green Belt to meet possible longer term development needs, beyond the current plan period.
<b>Sensitivity Testing</b>	AKA Sensitivity Analysis	Calculations testing the effect of alternative assumptions on viability appraisal outcomes. For example testing variations up and down in sales values or build costs.
<b>SHELAA</b>	Strategic Housing and Economic Land Availability Assessment	Strategic Housing and Economic Land Availability Assessments are a key component of the evidence base to support the delivery of sufficient land for housing and employment to meet an identified need. These assessments are required by national policy set out in the National Planning Policy Framework (NPPF).
<b>SHLAA</b>	Strategic Housing Land Availability Assessment	A Study to determinate quantity and suitability of land potentially available for housing development. The assessment is required by national policy set out in the National Planning Policy Framework (NPPF)is
<b>SHMA</b>	Strategic Housing Market Assessment	An assessment of the estimated demand for market housing and need for affordable housing within the area and the future mix of housing requirements.
<b>Site Allocations</b>		Sites that are proposed for development to meet the LPA's requirements set out in the Local Plan. Policies will identify any specific requirements for individual proposals.
<b>SO</b>	Shared ownership	A form of affordable housing which is partly sold and partly rented to the occupiers housing in a defined geographical area, in terms of distribution, house types and sizes and the specific requirements of particular groups and which considers future demographic trends.
<b>SPD</b>	Supplementary Planning Document	Documents prepared as part of the Local Development Framework to provide additional guidance on how policies in the development plan will be implemented. They may include design guides and development briefs. They do not form part of the Development Plan.
<b>SR</b>	Social rented	Affordable rented housing owned and managed by local authorities and Registered Providers.
<b>Stakeholders</b>		People who have an interest in the activities and achievements of the council, including residents, local communities of interest, partners, employees, customers, shareholders, suppliers, opinion leaders, regulators and "hard to reach" groups.
<b>Strategic Site</b>		Large site allocation which require a coordinated and comprehensive approach to planning and delivery, and infrastructure provision.
<b>SuDS</b>	Sustainable Drainage Systems	SuDS provide an integrated approach to surface water design problems, which consider quality and quantity and reduce surface flooding and to improve water quality and enhance biodiversity.
<b>Surplus</b>		Amount remaining from RLV (Residual Land value) once Benchmark Land Value has been deducted.
<b>Yield</b>		Expressed as a percentage, and calculated by dividing the annual (rental) income of a property by its value. Typically used the other way round in viability appraisal, i.e. assessing likely rental income then dividing this by a suitable yield %, to produce a capital value for that property (AKA capitalising the rent).