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St Albans District Council Local Plan Viability Study

Strategic Site Testing: East Hemel Hempstead (North)

Prepared for
St Albans City and District Council

September 2024



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1 Introduction

St Albans City and District Local Plan 2041 Publication Draft 2024 ('LPPD') sets out a planning framework for the City and District, identifying how much and what type of development is needed and where it should or should not be accommodated. To support the delivery of housing and employment growth over the plan period St Albans City and District Council ('the Council') has identified a number of Strategic Development Sites ('Strategic Sites'). Given the importance of these Strategic Sites to the local growth strategy, the Council has instructed BNP Paribas Real Estate to consider their viability in detail.

The National Planning Practice Guidance on Viability 2024 ('NPPG') identifies at paragraph 003 that:

"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage". However, it goes on to identify that *"in some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies"*. This is reiterated in paragraph 005 which sets out that, *"it is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan."*

Accordingly this report outlines the results of the additional high level viability testing undertaken on the East Hemel Hempstead (North) strategic development site as allocated in the LPPD as site H2.

This report should be read in conjunction with the St Albans Local Plan Viability Study ('LPVS') report dated September 2024, in which we tested the ability of a range of development types throughout the City and District to support the planning policy requirements of the emerging LPPD and other key local policies and guidance as well as national policies.

We have prepared this report with the particular purpose of testing the cumulative impact of the Council's emerging requirements on the identified strategic development site H2 including affordable housing, on-site Section 106 obligations and on-site infrastructure measures. This approach is in line with the requirements of the National Planning Policy Framework 2023 ('NPPF'), the NPPG, the RICS Guidance Note 'Assessing viability in Planning under the National Planning Policy Framework for England (2021)' and the Local Housing Delivery Group guidance 'Viability Testing Emerging Local Plans: Advice for planning practitioners' (June 2012).

This report is structured as follows:

- **Section 2** identifies the details of the strategic site that has been tested;
- **Section 3** details the methodology adopted in this assessment and the inputs to our appraisals;
- **Section 4** outlines the results of our appraisals and considers the implications for the Council's emerging LPPD policies; and
- **Section 5** sets out our conclusions and recommendations.

2 Details of Strategic Site

The Council has provided information on the development envisaged at East Hemel Hempstead (North) as set out in the development requirements of Policy LG1 (a-s) - East Hemel Hempstead (North) Broad Location in the LPPD. Table 2.1 sets out these assumptions including the gross and net site areas; the number of residential units; and the quantum of non-residential floorspace. Further details of the scheme appraised are set out at **Appendix 1**.

Table 2.1 Details of proposed strategic development at East Hemel Hempstead (North)

Appraisal Input	Site Specifications
Site Size Gross Net	67.7 Ha 40.6 Ha
Number of residential units (Density circa 40 units per Ha)	1,640
Estimated Self Build units @ 3% of total units	48
Specialist housing	
Care Home (beds)	1 x 80 units
Extra care / flexicare (units)	2 x 80 units
Other – special needs supported living	7
Local Centre (assumed to be 0.6 sq m NIA provided for each house)	960 square metres
Health provision	1,313 square metres (medical centre also serves East Hemel Hempstead South and North Hemel Hempstead)

3 Development appraisals

3.1 Methodology

Our methodology follows standard development appraisal conventions and the standard methodology set out in the NPPG. It is also consistent with the methodology adopted in the LPVS. This study utilises the residual land value ('RLV') method of calculating the value of the indicative development on the East Hemel Hempstead (North) strategic site. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance and policy requirements) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

We have used *Argus Developer* ("Argus") to undertake the high level appraisal of the indicative development on the East Hemel Hempstead (North) strategic site. Argus is a commercially available development appraisal package in widespread use throughout the development industry. It has been accepted by a number of local planning authorities for the purpose of viability assessments and has also been accepted at planning appeals. Banks also consider Argus to be a reliable tool for secured lending valuations. Further details can be accessed at www.argussoftware.com

Argus is essentially a cash-flow model. Such models all work on a similar basis:

- Firstly, the value of the completed development is assessed.
- Secondly, the development costs are calculated, including either the profit margin required or land costs. In our appraisals we include profit as a development cost.

As identified above, the difference between the total development value and total costs equates to the RLV. The model is normally set up to run over a development period from the date of the commencement of the project until the project completion, when the development has been constructed and is occupied.

The cash-flow approach allows the finance charges to be accurately calculated over the development period. This approach can accommodate more complex arrangements where a number of different uses are provided or development is phased.

In order to assess whether a development scheme can be regarded as being economically viable, with a given level of planning obligations, it is necessary to compare the RLV that is produced with a benchmark land value ('BLV'). If a development generates a RLV that is higher than the BLV it can be regarded as being economically viable and therefore capable of providing a greater quantum of obligations. However, if a development generates a RLV that is lower than the BLV, it should be deemed economically unviable and the quantum of planning obligations would need to be reduced until viability is achieved.

3.2 Appraisal inputs

Our assumptions adopted for the development appraisals of the indicative development on the site are set out in the following section.

3.2.1 Unit mix

Following discussions with the Council we have adopted the unit mix as summarised in Tables 3.2.1.1 and 3.2.1.2 based on the mix adopted for Typology 14 in the LPVS on the basis that this is a reasonable assumption to test in a viability assessment. However, this does not preclude other unit mixes if these meet identified housing need at the time a scheme is brought forward.

The sizes of units that we have adopted in the appraisal are informed by and accord with the minimum gross internal floor areas set out in the former DCLG (now the Ministry of Housing Communities and

Local Government) 'Technical Housing standards nationally described space standard' published in March 2015.

Table 3.2.1.1: Market Housing Unit Mix

Unit type	2 Bed/4P House	3 Bed/5P House	4 Bed/7P House
Unit size ¹	79 sq m	93 sq m	115 sq m
% tested in Scheme	25%	45%	30%

Table 3.2.1.2: Affordable Housing Unit Mix

Unit type	2 Bed/4P House	3 Bed/5P House	4 Bed/7P House	5 Bed/7P House
Unit size ²	79 sq m	93 sq m	115 sq m	125 sq m
% tested in Scheme	28%	37%	25%	10%

3.2.2 Market Housing Residential Sales Values

We have adopted an average private/market residential sales value of £6,135 per sq m (£570 per sq ft) in our appraisal. This corresponds with the sales values adopted in the LPVS in the Zone of Influence, which we based on research using sources including the Land Registry online database; Rightmove online database; our understanding of viability of live schemes in the District; and discussions with active local agents.

3.2.3 Affordable housing

The LPPD indicates that the Council will require schemes capable of providing 10 or more units to provide 40% affordable housing with a tenure mix of 30% Social Rent, 30% Affordable Rent, 15% Shared Ownership and 25% First Homes.

Target rents are determined by Ministry for Housing Communities and Local Government's ("MHCLG") 'Rent Restructuring Framework' introduced into the registered provider sector in 2002. Under this framework, RPs are required to calculate a target rent for each property based on relative property values and relative local earnings, together with a bedroom weighting.

The weekly social rent for an individual property is calculated as follows:

- 70% of the average rent for the RP sector multiplied by relative county earnings multiplied by the bedroom weighting; plus
- 30% of the average rent for the RP sector multiplied by the relative property value (using January 1999 values as a common base date).

Consequently, our appraisals assume that the Social Rented housing is let at Social Rents summarised in Table 3.2.3.1.

Table 3.2.3.1: Social Housing Rents (Per Week)

Value Area	Houses		
	2 bed	3 bed	4 bed
Zone of Influence	£132.63	£150.48	£175.15

Our appraisals assume that the Affordable Rent units are let at Local Housing Allowance Rents (South

¹ In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

² In line with the Government's "Technical housing standards nationally described space standard" published in March 2015.

West Herts BRMA), which we summarise in Table 3.2.3.2.

Table 3.2.3.2: Affordable Housing Rents (Per Week)

1 Bed	2 Bed	3 Bed	4 Bed
£218.63	£287.67	£345.21	£460.27

To establish the capital value of the rented units, we have used a discounted cashflow model which replicates the approach used by registered providers when preparing bids to acquire new housing stock. The model projects the rents over a 40 year period and deducts the estimated voids and bad debts, management costs, maintenance costs and allowances for major repairs. The model establishes the present value of the net rental income by applying a discount rate (reflecting the cost of funds and RP's risk margin), reflecting the price that can, in principle be paid to acquire the completed units from a developer. We summarise in tables 3.2.3.3 and 3.2.3.4 the capital values we have adopted in our appraisals for the Social and Affordable Rented units.

Table 3.2.3.3: Capital Values of the Social Rented Affordable Housing

Value Area	Houses		
	2 Bed (£per sq ft)	3 Bed (£per sq ft)	4 Bed (£per sq ft)
Zone of Influence	£192	£187	£178

Table 3.2.3.4: Capital Values of the Affordable Rented Affordable Housing

Value Area	Houses		
	2 Bed (£PSF)	3 Bed (£per sq ft)	4 Bed (£per sq ft)
Zone of Influence	£415	£428	£473

We have valued the shared ownership units by firstly establishing the unrestricted market value of each unit by reference to comparable evidence of similar units. The value of the initial equity stake sold to the purchaser (typically 25%) is the first segment of value. The purchaser (with an income cap of £80,000 per annum) will also pay a rent on the retained equity at rate not exceeding 2.75% of the retained equity. The capital value of this rent is calculated using a discounted cashflow model. The two elements (initial equity stake sold plus capital value of rental income) are added together to establish a total value.

We summarise in Table 3.2.3.5 the capital values of the shared ownership units we have adopted in our appraisals.

Table 3.2.3.5: Capital Values of Shared Ownership Units (£per sq ft)

Value Area	2 Bed (£ per sq ft)	3 Bed (£per sq ft)	4 Bed (£per sq ft)
Zone of Influence	£347	£330	£246

In line with the requirements of the NPPG on First Homes, we have valued the First Homes units on the basis of a value cap of £250,000 per unit, which represents a discount on average market values of c. 53% in the Zone of Influence.

The 'Affordable Homes Programme 2021-2026' document clearly states that Registered Providers will not receive grant funding for any affordable housing provided through planning obligations on developer-led developments. Consequently, all our appraisals assume nil grant. Clearly if grant funding does become available over the plan period, it should facilitate an increase in the provision of affordable housing when developments come forward.

3.2.4 Self-Build Plots

At this site, emerging LPPD policy requires that 3% of new homes are to be provided as self-build housing. We have assumed that the cost of delivering the plots is equal to the value received for the plots and as a result we have omitted the costs/values from our appraisal. The effect of a requirement for self-build units is effectively neutral for a developer, as they will receive the market value for the plot (which reflects the end value less the construction costs).

3.2.5 Care Home

The Council requires at least one C2 Residential Nursing care home (C2 Use) to be delivered as part of the East Hemel Hempstead (North) strategic site. As identified in the LPVS, care homes are residential institutions where older people live, usually in single rooms but sometimes in shared rooms, and have access to on-site care services. A home registered simply as a care home will provide personal care only (i.e. help with washing, dressing and giving medication). A home registered as a care home with nursing will provide the same personal care but also have a qualified nurse on duty 24 hours a day to carry out nursing tasks. The cost/rents for rooms in care homes depend on the specific level of care required.

We have adopted rental levels consistent with those set out in the LPVS, which are based on research on rents for care homes in the District. Our appraisals allow for private rents of £1,300 per week for a single room, which we consider to be a conservative rent by comparison to some of the care homes rents charged in the District. We have also allowed for 40% of the accommodation in our appraisal to be provided as affordable care rooms at £784 per week. This is based on rents in-line with the average County allowance for a single room for older people³ with nursing at £784.24 per week.

3.2.6 Extra care / Flexicare units

The Council requires at least two Flexi-care schemes to be delivered as part of the development. The LPVS identified that Extra Care Housing (C3 Use) can be precisely defined (and differentiated from other types of residential institutions) by reason of some specific characteristics, as set out in the RTP1 Good Practice Note⁴. The Royal Town Planning Institute defines Extra Care Housing as, '*purpose-built accommodation in which varying amounts of care and support can be offered and where some services are shared*'. People who live in Extra Care Housing have their own self-contained homes, their own front doors and a legal right to occupy the property. It comes in many built forms, including blocks of flats, bungalow estates and retirement villages. It is a popular choice among older people because it can sometimes provide an alternative to a care home. In addition to the communal facilities often found in retirement housing Extra Care often includes restaurants or dining rooms, health & fitness facilities, hobby rooms and computer rooms. Domestic support and personal care are available, usually provided by on-site staff.

As with retirement housing, Extra Care developments have different viability considerations to standard residential dwellings. These arise due to a significant gross to net ratio for such developments due to the need for more communal facilities as well as the additional time that it takes to sell the accommodation due to the restricted market for that type of unit. In our experience these developments also achieve premium value.

In line with our assumptions adopted in the LPVS for such developments, we have assumed that the extra care/flexicare units identified on the strategic site will be provided as 50% one and 50% two bedroom apartments. We have also allowed for a gross to net floorspace ratio of 60% and a higher average sales value reflecting £6,997 per sq m (£650 per sq ft).

We have allowed for 40% of these units to be delivered as affordable housing with 60% provided as rented units (50% social rent and 50% affordable rent) and 40% as shared ownership.

³ <https://www.hertfordshire.gov.uk/services/adult-social-services/care-and-carers/arranging-and-paying-for-care/paying-for-your-care-costs.aspx#DynamicJumpMenuManager>

⁴ Extra Care Housing – Development planning, control and management (2007)

3.2.7 Special needs Supported Living Units

The Council requires that the development of the East Hemel Hempstead (North) strategic site provides 7 special needs supported living units. We have assumed that these units would all be provided as a block of one bedroom apartments. Given the nature of such development we have valued these as affordable rented units (based on the South West Herts BRMA) at a capital value of £5,022 per sq m. This is higher than the average value of the standard affordable rented units in the scheme as these units are all one bed units.

3.2.8 Local centres

The assumptions used in the appraisals to value the non-residential accommodation are summarised in Table 3.2.8.1 below.

Table 3.2.8.1: Non-residential revenue and assumptions

Accommodation	Rent £ per sq m	Yield	Void Period (Inc. Rent Free)
Retail	£215	6.5%	1.5 years
Health	£215	5%	-

The site will provide a health centre that will also serve East Hemel Hempstead (South) and North Hemel Hempstead and we have reflected the contribution from these sites towards the health centre as revenue in our appraisal. In summary, East Hemel Hempstead (South) contributes £1,831,881 whilst North Hemel Hempstead contributes £1,144,526 reflecting a total of £2,976,407.

3.2.9 Base Build Costs and Infrastructure

We have sourced build costs for the residential schemes from the RICS Build Cost Information Services ('BCIS'), which is based on tenders for live schemes adjusted to reflect local circumstances in the St Albans City and District area. The base build costs used in our appraisals are set out in Table 3.2.9.1 below, these are in line with the costs adopted in the LPVS.

Table 3.2.9.1 Base build costs adopted in appraisal

Use	Cost per sq m
Residential houses	£1,489
Commercial uses - Local centre	£1,505
Health	£2,906
Care Home	£2,061
Extra care / Flexicare apartments	£1,800
Special needs supported living apartments	£1,800

In addition to these base costs, we have included an allowance which equates to an additional 10% of the base cost for external works on the residential uses and 10% on the non-residential uses (commercial uses in the local centre and the health use). The allowance included for external works accounts for works outside each dwelling including landscaping, pavements, driveways, parking works and so on.

In our experience it is likely that developers will be able to value engineer build costs to lower levels than assumed in this study on larger sites, such as the strategic sites in St Albans City and District area. We have not allowed for this in our assessment. Our appraisals also include a contingency of 5% of build costs.

In line with the LPVS we have also allowed for extra over costs associated with policy requirements which we summarise below.

Table 3.2.9.2: Extra Over Costs

Use	Accessibility M4 (2) £ Per Sq m	Accessibility M4 (3) £ Per Sq/m	10% Biodiversity £ Per Sq/m
Residential houses	£8.00	£19.00	£1.19
Extra care / Flexicare apartments	£19.84	£19.00	£1.19
Special needs supported living apartments	£18.84	£19.00	£1.19

We have also included an allowance of £29,000 per standard residential unit and £20,000 per unit for all other specialist residential units for infrastructure costs. In our experience greenfield sites such as East Hemel Hempstead (North) are likely to require significant development of infrastructure such as servicing and roads etc.

3.2.10 Professional fees

In addition to base build costs, schemes will incur professional fees covering design, valuation, highways and planning consultants and the cost of preparing and submitting the planning application and so on. Our appraisals incorporate an 8% allowance which reflects the site being built out by a volume housebuilder using standard house types.

3.2.11 Development finance

In line with the LPVS, our appraisal assumes that development finance can be secured at a rate of 6.5%, inclusive of arrangement and exit fees, reflective of current funding conditions.

3.2.12 Marketing, agency and legal costs

Our assessment incorporates an allowance of 3% for marketing costs, which includes show homes and agents' fees for market/private residential units and the private extra care units and on the discount market sales affordable housing units.

For the commercial units we have allowed for a 10% letting agent and 5% legal fee.

We have included a 1% sales agent allowance on commercial uses, the care home use and self-build plots.

We have applied a 0.25% sales legal fee on GDV to the residential uses and 0.5% on GDV for the commercial uses.

3.2.13 Acquisition/purchaser costs

Our appraisal deducts Stamp Duty at 5%, acquisition agent's fees at 1%; and acquisition legal fees at 0.8% of residual land value and on the commercial uses in the local centre.

3.2.14 Section 106 obligations

The Council have advised as to appropriate Section 106 contributions for specific community infrastructure requirements associated with the delivery of this strategic site. We understand that these are broad estimates based on best available information, including the apportionment of costs of delivering such infrastructure on existing sites in the District. These costs are likely to be refined as masterplanning of the strategic sites progresses. The Section 106 costs adopted in this study are as set out in Table 3.2.14.1 below.

Table 3.2.14.1: Section 106 contributions

Contribution description	Contribution	Comments on contribution
Education	£17,719,763	1 x 3 FE Primary (assumes c. £17.20m per primary school equating to c. £3,222 per unit across the 3 x Hemel sites)
	£14,566,097	1 x 6-8 FE Secondary (assumes c. £48.50m per secondary school equating to c. £8,883 per unit across the 3 x Hemel sites)
Healthcare	£9,190,000	Based on ARUP Costings
Sports & Community	£4,071,272	Based on Arup Costings
Green infrastructure: Country Park/SANG	£630,480	Based on ARUP Costings
Local open/play Space/Green Infrastructure	£1,569,365	Based on ARUP Costings
Transport Infrastructure	£29,619,640	£6,826 per home for active travel (index linked in accordance with HCC developer contributions toolkit) £11,000 per home for transport requirements (e.g. Highways) £385,000 for mobility hub
Total	£76,981,617	-

We have assumed a worst case scenario for the contributions outlined above, in that these will be upfront costs. It is likely however that some or all of these costs may be phased throughout the total development period of the strategic site.

We have also included an allowance for any residual S106 contributions over and above the identified items above and we have assumed £2,000 per unit and £20 per square metre for non-residential uses.

3.2.15 SAMMS and SANG

Policy SP10 of the LPPD requires contributions towards the Strategic Access Management and Monitoring Strategy (SAMMS) and Suitable Alternative Natural Greenspace (SANG). As this site falls within the Chiltern Beechwoods Special Area of Conservation (CBSAC) Zone of Influence (ZOI) the Council has advised that this site would be subject to a SAMMS cost of £828.60 per dwelling totalling £1,358,904.

We highlight that the cost requirement for SANG has been reflected in the ARUP S106 calculations summarised in Table 3.2.14.1 under the Green Infrastructure heading.

3.2.16 Profit

As identified in the LPVS, Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. The NPPG identifies at para 018 that, *"for the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."*

Based on our experience of the development of such uses and sites we have adopted the following profit assumptions in this assessment:

- 17.5% on Gross Development Value (GDV) for private housing units, private extra care units, self-build plots;
- 12% on GDV for the First Homes;

- 6% on GDV for affordable rent and shared ownership affordable housing and extra care units and special needs supported living units; and
- 15% profit on GDV for non-residential uses in local centres.

3.2.17 Timescales

We have considered the size of the site and number of residential units being delivered and adopted appropriate development and phasing assumptions. We have assumed that the site will be delivered in three phases of c. 531 units each and that there will be multiple sales outlets. We have assumed that the sales rate will be 6 units per month (assuming two sales outlets), which is considered to be a conservative assumption and higher rates of sale could be experienced. The build out period will mirror the rate of sale, which is based on our understanding of developers' delivery of such large strategic sites. Sales start 12 months after commencement of construction. The timescales we applied are as detailed in Table 3.2.17.1 below.

Table 3.2.17.1: Development timescales

Phase	Phase 1	Phase 2	Phase 3	Total
Pre-construction (months)	9	9	9	27
Construction (months)	53	53	53	159
Residential Sales (months)	53	53	53	159
Care Home/Extra Care Units	0	24	0	24

The sales rates are applied to the private housing and extra care units only, with the developers assumed to contract with a Registered Provider for the disposal of the affordable housing prior to commencement of construction. The agreed capital receipt for the affordable housing is assumed to be received quarterly over the build period.

With respect to the delivery of the care home, extra care/flexicare, special needs supported living units, health provision and local centre we have included these within Phase 2 of the development. Given their smaller scale of development we have allowed for a 24 month construction phase for each use.

4 Appraisal results and analysis

We have run an appraisal of the strategic development envisaged at East Hemel Hempstead (North) as set out in the previous sections and identified within the Council's LPPD. We have then compared the residual land value to the most appropriate 'BLV identified in the LPVS, which in this instance is the Greenfield value of £370,000 per gross hectare, in order to determine whether this might be sufficient for the strategic site to be brought forward for development.

The appraisals and results are summarised in Table 4.1 below.

Table 4.1: Appraisal results – East Hemel Hempstead (North)

Scenario appraised	RLV	BLV (based on £370,000 per Ha)	Viable / Unviable
40% AH	£68,009,807	£25,049,000	Viable

The appraisal scenario tested for the East Hemel Hempstead (North) strategic site identifies that the indicative development identified in the LPPD allocation is viable when measured against the BLV of £370,000 per hectare when delivering 40% Affordable Housing. We therefore consider the strategic site to be developable as required by the NPPF i.e. it has a 'reasonable prospect' of being available and viably developed within the plan period.

5 Conclusions and Recommendations

This testing demonstrates that the East Hemel Hempstead (North) strategic site is viable and developable having regard to both the Council's planning policy requirements including 40% affordable housing and additional planning polices as set out in our LPVS.

Appendix 1 - Working assumptions adopted in appraisal

Name of site		East Hemei Hempstead (North)									
Site Size (Gross) Ha	67.7										
Site Size (Net) Ha	40.6										
Total No Standard Residential units	1,640										
Self build plots (3%)	48										
Total units less self build (97%)	1,592										
Care Home rooms	80										
Extra Care / flexicare units	160										
Special needs supporting living units	7										
Traveller & Gypsy Pitches	-										
No Phases	3										
Unit mix Based on Typology 14											
Market Housing Mix	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total		
Size (sq m)	50	70	86	108	79	93	115	125			
Percentage split	0%	0%	0%	0%	36%	56%	4%	0%			
Total Floor area (sq m)	-	-	-	-	45,276	82,911	7,323	-	135,511		
Affordable Housing Mix	1 Bed 2p flat	2 bed 4p flat	3 bed 5p flat	4 bed 7p flat	2 Bed 2p House	3 Bed 5p House	4 Bed 7p House	5 Bed 7p House	Total		
Size (sq m)	50	70	86	108	79	93	115	125			
Percentage split	0%	0%	0%	0%	46%	34%	19%	0%			
Total Floor area (sq m)	-	-	-	-	57,853	50,339	34,785	-	142,978		
Affordable Housing Analysis											
Percentage	40%										
Rented (50% Social rent and 50% Affordable Rent)	60%										
Intermediate (Shared Ownership)	15%										
Intermediate (First Homes)	25%										
Resi floor area analysis											
	Total	Phase 1	Phase 2	Phase 3							
Total Private Floor area	81,307	27,102	27,102	27,102							
Total Affordable Floor Area	57,191	19,064	19,064	19,064							
Rented (50% Social rent and 50% Affordable Rent)	34,314.60	11,438	11,438	11,438							
Shared ownership	8,578.65	2,860	2,860	2,860							
First Homes	14,298	4,766	4,766	4,766							
Self-Build units											
	Total	Phase 1	Phase 2	Phase 3							
No plots	48	16	16	16							
Health provision											
	Total	Phase 1	Phase 2	Phase 3							
Gross floorarea (sq m)	1,313	-	1,313	-							
Net floorarea (sq m)	-	-	1,077	-							
Neighbourhood / Local Centre											
	Total	Phase 1	Phase 2	Phase 3							
Gross floorarea (sq m)	960	-	960	-							
Net floorarea (sq m)	990	-	787	-							
Care Homes											
Phase 2											
National Care Standards requirements											
135	sq ft of useable floorspace, excluding ensuite										
38	sq ft of space for en-suite										
42	sq ft of communal space, excluding circulation										
80	rooms	10,800	floor area of rooms	3,040	en-suite bathrooms	3,360	communal space	17,200	sq ft NIA		
0.15	Circulation	2,580	sqft	19,780	sqft GIA	1,838	sqm GIA				
Extra-Care / Flexi Care											
Phase 2											
Affordable Housing											
	1 Bed 2p flat	2 bed 4p flat	Total	Private	Rented (50% Social rent and 50% Affordable Rent)	Intermediate (Shared Ownership)					
Size (sq m)	50	70									
Percentage split	50%	50%		60%							
Total Floor area (sq m) NIA	4,000	5,600	9,600	5,760	2,304	1,536					
Total Floor area (sq m) GIA @60% Gross to Net assumption	6,667	9,333	16,000	9,600							
Special Needs Supported Living Units											
Phase 2											
1 Bed 2p flat											
Size (sq m)	50										
Percentage split	100%										
Total Floor area (sq m) (Net)	350										
Total Floor area (sq m) GIA @ 75% Gross to Net assumption	467										
Travellers Pitches in Ha											
	Total	Phase 1	Phase 2	Phase 3							
	-	-	-	-							
Timescales											
	Total	Phase 1	Phase 2	Phase 3							
Pre-construction (months)	27	9	9	9							
Construction (months)	159	53	53	53							
Private Resi Sales (months)	159	53	53	53							
Care Home/Extra Care Units	32	0	24	0							
No Private units less self build units											
	Total	Phase 1	Phase 2	Phase 3							
	955.2	318	318.4	318							

Revenue						
Standard Residential						
	Capital value £ per sq m					
Private Housing	£ 6,135					
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 2,858					
Shared Ownership	£ 3,281					
First Homes	£ 2,614					
	Value per plot (assuming 4 bed house)					
Self build plots (assumed to be cost/value neutral)	£ -					
Special needs supported living units						
	Capital value					
	£5,022					
Care Home						
Beds (Affordable)	48	£784 per week		90% occupancy	£1,761,178	
Beds (Pvt)	32	£1,300 per week		90% occupancy	£1,946,880	
				30% of income	£1,112,417.28	
Standard profit margin (EBITDA)				10% yield	£11,124,173	
Capitalise EBITDA					-£1,668,626	
Deduct	15%	for income shortfall to maturity				
Gross Adjusted turnkey value of Home					£9,455,547	
Extra Care Housing						
	Capital value £ per sq m					
Private	£ 7,362					
Affordable Rented (50% Social Rent 50% Affordable Rent)	£ 2,858					
Shared Ownership	£ 3,281					
	Rent per sq m	Yield	Rent Free & Void (months)			
Commercial	£215	7.00%	18			
Costs						
Residual S106						
	unit of measure	Total	Phase 1	Phase 2	Phase 3	
Standard residential per unit	£ 2,000	£ 3,280,000	£ 1,093,333	£ 1,093,333	£ 1,093,333	
Commercial per sq m	£ 20	£ 19,200	£ -	£ 19,200	£ -	
Care Home per sq m	£ 20	£ 36,752	£ -	£ 36,752	£ -	
Extra Care / Flexicare units per unit	£ 2,000	£ 320,000	£ -	£ 320,000	£ -	
Special needs supported living per unit	£ 2,000	£ 14,000	£ -	£ 14,000	£ -	
TOTAL			£ 1,093,333	£ 1,483,285	£ 1,093,333	
S106 Infrastructure Costs						
	Total costs					
Transport (£17,826 per unit) & Mobility £385,000	£ 29,619,640					
Education (1 x 3FE Primary School)	£ 17,719,763					
Education (1 x 6-8FE Secondary School @ c. £48.85m shared with Hemel Sites @ £8.882 per unit)	£ 14,566,097					
SAMMS (£828.60 per unit)	£ 1,358,904					
Healthcare	£ 9,190,000					
Green Infrastructure (including SANG)	£ 2,199,845					
Sports & Community (£2,482 per unit)	£ 4,071,272					
	Per unit cost	Total costs				
Strategic open space / green infrastructure	£ -	£ -				
Local open space / play space / green infrastructure	£ -	£ -				
	Per unit cost	Total costs	Phase 1	Phase 2	Phase 3	
Site opening up costs Standard Resi	£ 29,000	£ 47,560,000	£ 15,853,333	£ 15,853,333	£ 15,853,333	
Site opening up costs Other Residential uses	£ 20,000	£ 4,940,000	£ 2,470,000	£ 2,470,000	£ -	
			£ 18,323,333	£ 18,323,333	£ 15,853,333	
Build costs						
	Base per sq m	Externals per sq m	Accessibility M4(2)	Accessibility M4(3)	Biodiversity	Total
Resi	£ 1,489	£ 149	£ 8	£ 19	£ 1.19	£ 1,666
Commercial	£ 1,505	£ 151	£ -	£ -	£ -	£ 1,656
Health	£ 2,906	£ 291	£ -	£ -	£ -	£ 3,197
Care Home	£ 2,061	£ 206	£ -	£ -	£ -	£ 2,267
Extra care / flexicare	£ 1,800	£ 180	£ 19.84	£ 19	£ 1.19	£ 2,020
Special needs supported living	£ 1,800	£ 180	£ 19.84	£ 19	£ 1.19	£ 2,020
Contingency on build costs						
	5%					
Traveller's pitches						
	No pitches	Cost				
Info from Dacorum BC 5 pitches = 0.5 Ha						
Each travellers pitch estimated to cost £242,000	-	£ -				
Profit						
Private/Market Resi on GDV	17.5%					
Affordable Resi on GDV	6%					
First Homes	12.0%					
Commercial on GDV	15%					
Marketing /agency and legal fees						
Resi Sales agent and marketing on GDV	2.50%					
Resi Sales legal fees on GDV	0.25%					
Commercial Letting fee on rent pa	10.00%					
Commercial Letting Legal fee on rent pa	5.00%					
Commercial Sales fee on GDV	1.00%					
Commercial Legal fee on GDV	0.50%					
Professional fees						
	8%					
Finance						
	6.50%					
Appraisal Outcome						
Residual Land Value @ 40% AH	£ 68,009,807					
Benchmark Land Value Greenfield	£ 25,049,000					
Appraisal outcome (Surplus/ Deficit)	£ 42,960,807					

Appendix 2 - Argus appraisal summary

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Development Appraisal

East Hemel Hempstead (North)

40% Affordable Housing

Report Date: September 25, 2024

**East Hemel Hempstead (North)
40% Affordable Housing**

Summary Appraisal for Merged Phases 1 2 3

Currency in £

REVENUE

Sales Valuation	Units	m ²	Rate m ²	Unit Price	Gross Sales
Phase 1 - Market Housing	1	27,102.00	6,135.00	166,270,770	166,270,770
Phase 1 - Social/Affordable Rent	1	11,438.00	2,858.00	32,689,804	32,689,804
Phase 1 - Shared Ownership	1	5,768.00	3,281.00	18,924,808	18,924,808
Phase 1 - First Homes	1	1,923.00	2,614.00	5,026,722	5,026,722
Phase 2 - Market Housing	1	27,102.00	6,135.00	166,270,770	166,270,770
Phase 2 - Social/Affordable Rent	1	11,438.00	2,858.00	32,689,804	32,689,804
Phase 2 - Shared Ownership	1	2,860.00	3,281.00	9,383,660	9,383,660
Phase 2 - Care Home	1	0.00	0.00	9,455,547	9,455,547
Phase 2 - Special Needs Supported Living	1	467.00	5,022.00	2,345,274	2,345,274
Phase 2 - Extra/Flexi Care Housing - Private	1	5,760.00	7,362.00	42,405,120	42,405,120
Phase 2 - Extra/Flexi Care - Social/Affordable Rent	1	2,304.00	2,858.00	6,584,832	6,584,832
Phase 2 - Extra/Flexi Care Housing - Aff SO	1	1,536.00	3,281.00	5,039,616	5,039,616
Phase 2 - First Homes	1	4,766.00	2,614.00	12,458,324	12,458,324
Phase 3 - Market Housing	1	27,102.00	6,135.00	166,270,770	166,270,770
Phase 3 - Social/Affordable Rent	1	11,438.00	2,858.00	32,689,804	32,689,804
Phase 3 - Shared Ownership	1	2,860.00	3,281.00	9,383,660	9,383,660
Phase 3 - First Homes	1	4,766.00	2,614.00	12,458,324	12,458,324
Totals	17	148,630.00			730,347,609

Rental Area Summary

	Units	m ²	Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 2 - Neighbourhood / Local Centre	1	787.20	215.00	169,248	169,248	169,248
Phase 2 - Health Provision	1	1,076.66	215.00	231,482	231,482	231,482
Totals	2	1,863.86		400,730	400,730	400,730

Investment Valuation

Phase 2 - Neighbourhood / Local Centre					
Market Rent	169,248	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	2,259,653
Phase 2 - Health Provision					
Current Rent	231,482	YP @	5.0000%	20.0000	4,629,638
Health contribution from North Hemel and Hemel South					
Manual Value					2,976,407
					9,865,698

GROSS DEVELOPMENT VALUE

				740,213,307
Purchaser's Costs	6.80%	(796,634)		(796,634)

NET DEVELOPMENT VALUE

				739,416,673
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NET REALISATION

				739,416,673
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OUTLAY

ACQUISITION COSTS

Residualised Price			68,009,807	
Stamp Duty	5.00%		3,400,490	
Agent Fee	1.00%		680,098	
Legal Fee	0.80%		544,078	
				72,634,474

CONSTRUCTION COSTS

Construction	m ²	Rate m ²	Cost
Phase 2 - Neighbourhood / Local Centre	960.00 m ²	1,656.00 pm ²	1,589,760
Phase 2 - Health Provision	1,313.00 m ²	3,197.00 pm ²	4,197,661
Phase 1 - Market Housing	27,102.00 m ²	1,666.00 pm ²	45,151,932
Phase 1 - Social/Affordable Rent	11,438.00 m ²	1,666.00 pm ²	19,055,708
Phase 1 - Shared Ownership	5,768.00 m ²	1,666.00 pm ²	9,609,488
Phase 1 - First Homes	1,923.00 m ²	1,666.00 pm ²	3,203,718
Phase 2 - Market Housing	27,102.00 m ²	1,666.00 pm ²	45,151,932
Phase 2 - Social/Affordable Rent	11,438.00 m ²	1,666.00 pm ²	19,055,708
Phase 2 - Shared Ownership	2,860.00 m ²	1,666.00 pm ²	4,764,760
Phase 2 - Care Home	1,838.00 m ²	2,267.00 pm ²	4,166,746
Phase 2 - Special Needs Supported Living	622.67 m ²	2,020.00 pm ²	1,257,787
Phase 2 - Extra/Flexi Care Housing - Private	9,600.00 m ²	2,020.00 pm ²	19,392,000
Phase 2 - Extra/Flexi Care - Social/Affordable Rent	3,840.00 m ²	2,020.00 pm ²	7,756,800
Phase 2 - Extra/Flexi Care Housing - Aff SO	2,560.00 m ²	2,020.00 pm ²	5,171,200
Phase 2 - First Homes	4,766.00 m ²	1,666.00 pm ²	7,940,156
Phase 3 - Market Housing	27,102.00 m ²	1,666.00 pm ²	45,151,932

**East Hemel Hempstead (North)
40% Affordable Housing**

Phase 3 - Social/Affordable Rent	11,438.00 m ²	1,666.00 pm ²	19,055,708	
Phase 3 - Shared Ownership	2,860.00 m ²	1,666.00 pm ²	4,764,760	
Phase 3 - First Homes	<u>4,766.00 m²</u>	1,666.00 pm ²	<u>7,940,156</u>	
Totals	159,296.67 m²		274,377,912	274,377,912
Contingency		5.00%	13,718,896	
Phase 1 - Site opening up costs			18,323,333	
Phase 2 - Site opening up costs			18,323,333	
Phase 3 - Site opening up costs			15,853,333	
Phase 1 - S106			1,093,333	
Phase 1 - Education (Primary)			17,719,763	
Phase 1 - Transport			29,619,640	
Phase 1 - Education (secondary)			14,566,097	
Phase 1- Sports & Community			4,071,272	
Phase 1 - Green Infrastructure/SANG			2,199,845	
Healthcare			9,190,000	
SAMMS			1,358,904	
Phase 2 - S106			1,483,285	
Phase 3 - S106			1,093,333	
				148,614,367
PROFESSIONAL FEES				
Professional fees		8.00%	27,247,745	
				27,247,745
MARKETING & LETTING				
Letting Agent Fee		10.00%	40,073	
Letting Legal Fee		5.00%	20,036	
				60,109
DISPOSAL FEES				
Resi Sales Agent and Marketing Fee		2.50%	4,282,437	
Phase 2 - Resi Sales/Marketing Fee		2.50%	5,528,355	
Phase 2 -Commercial Sales Agent Fee		1.00%	155,482	
Phase 3 - Resi Sales/Marketing Fee		2.50%	4,468,227	
Phase 1 Residential Sales Legal Fee		0.25%	557,280	
Phase 2 -Commercial Sales Legal Fee		0.50%	54,593	
Phase 2 Residential Sales Legal Fee		0.25%	692,943	
Phase 3 - Resi Sales Legal Fee		0.25%	552,006	
				16,291,325
Additional Costs				
Phase 1 - Market Housing Profit		17.50%	29,097,385	
Phase 1 - Affordable Profit		6.00%	3,096,877	
Phase 1 - First Homes Profit		12.00%	603,207	
Phase 2 - Market Housing Profit		17.50%	36,518,281	
Phase 2 - Affordable Profit		6.00%	3,362,591	
Phase 2 - Commercial Profit		15.00%	1,757,280	
Phase 3 - Market Housing Profit		17.50%	31,277,591	
Phase 3 - Affordable Profit		6.00%	2,524,408	
				108,237,619
FINANCE				
Debit Rate 6.500% Credit Rate 0.000% (Nominal)				
Total Finance Cost				91,953,187
TOTAL COSTS				739,416,738
PROFIT				(64)
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
Development Yield% (on Rent)		0.05%		
Equivalent Yield% (Nominal)		5.69%		
Equivalent Yield% (True)		5.89%		
IRR		6.46%		
Rent Cover		0 yrs 0 mths		
Profit Erosion (finance rate 6.500%)		N/A		