

Ipswich Garden Suburb

Viability Appraisal – Final Report

On behalf of **Ipswich City Council**



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1 Introduction

1.1 Commission

1.1.1 In March 2013 Peter Brett Associates (PBA) were instructed to undertake the viability analysis of the proposed development at Northern Fringe (now referred to in policy documents as the Ipswich Garden Suburb).

1.1.2 The purpose of the viability analysis in 2013 was to test the impact on viability of the draft infrastructure list.

1.1.3 The viability analysis in 2013 considered:

- **Values** - Analysis of the residential private sale element of the scheme was undertaken through benchmarking against published data from recognised sources (Land Registry), and supplemented with telephone consultation with local estates agents. This was to ensure private sales values are not too low, thus reducing viability further.

With regards to the affordable housing element, we consulted with Registered Providers to ensure proposed transfer rates for the social rent and shared ownership are realistic.

Commercial values were based on analysis of published data on commercial property database Focus.

- **Costs:**
 - Build Costs –analysed this against Build Cost Information Services (BCIS) data re-based for Ipswich and SPONS).
 - External works and infrastructure – EC Harris provided an infrastructure cost plan. We analysed these costs against recognised published data (SPONS) as well as comparable schemes and Quantity Surveyor advice from Tim Howe Associates.
- **Fees** – an assessment was made of fees to ensure they are in line with industry standard for this type of scheme.
- **Section 106 Contributions** – we worked with the client team to ensure the level of Section 106 contributions proposed were realistic for the proposed scheme.
- **Finance** – *it is common practice in conventional development appraisals to assume all-debt financing, i.e. all development costs are financed by borrowing.*¹Therefore, our development appraisal contained a detailed cashflow to assess finance costs and we also assessed whether the development time-scales were realistic and the proposed phasing is appropriate to limit the impact of finance costs.
- **Developer Margin** – an assessment was made as to whether the developer margin was appropriate for this type of scheme in the 2013 market.
- **Land values** – an assessment of the land value was made in accordance with the methodology set out in the Harman Report.²

¹ RICS (2012) *Financial Viability in Planning, 1st Edition Guidance Note (34)*

² Local Housing Delivery Group (June 2012) *Viability Testing Local Plans – Advice for planning practitioners* (the Harman Report)

Output of March 2013 Commission

- 1.1.4 The results of the March 2013 assessment, published in October 2013, showed that the scheme overall could viably support 31.6% of total units as affordable housing. With a tenure split of 80% affordable rent and 20% intermediate. As shown in Table 1.1 the 31.6% affordable housing varied in each of the seven phases of development depending on each phase individual viability. This equated to 28.25% by development floor space which is below the Council's target of 35%. Although the testing showed that some phases are more viable than others particularly in the latter stages which could deliver in excess of the Council's affordable housing target. A summary of the appraisal results are contained in Appendix A of this report.

Table 1.1 Results of viability testing October 2013

Phase	% of affordable housing based on unit numbers	Affordable Housing % of floorspace
Affordable phase 1	5.0%	4.3%
Affordable phase 2	2.0%	1.71%
Affordable phase 3	28.0%	24.91%
Affordable phase 4	41.0%	37.22%
Affordable phase 5	43.0%	39.16%
Affordable phase 6	44.0%	40.13%
Affordable phase 7	58.0%	54.09%
Blended affordable across whole scheme	31.6%	28.25%

Source: PBA October 2013

1.2 April 2015 Commission

- 1.2.1 The Council has instructed PBA to provide a report that supports and verifies the key inputs in the October 2013 appraisal (i.e. average values, build costs, professional fees, profit etc.) with a brief explanation of the findings of the appraisals. Secondly, the Council has sought a recommendation on whether the affordable housing target for this site (35% by floor space) is realistic with any improvements in market conditions, noting that the policy permits a reduction where there is viability evidence to support this.

1.3 Structure of Report

- 1.3.1 This report is set out as follows:

Section 2 Analysis of Costs

- 1.3.2 This section provides analysis of the developer costs. EC Harris provided an infrastructure cost plan. As part of our 2013 analysis we analysed the costs using recognised published data (BCIS and SPONS) as well as estimates of comparable schemes and Quantity Surveyor advice from Tim Howe Associates.

Section 3 Analysis of Values

- 1.3.3 This section of the report provides an assessment of the residential and commercial markets in 2013. This analysis was used to inform the revenue assumption in our appraisal, and the threshold land value. In our assessment we relied on recognised published data from Land

Registry, Department of Communities and Local Government), Focus, Lambert Smith Hampton and the Harman Report. We also supplemented this information with consultation with local active estate agents.

Section 4 Results of Viability Assessment 2013

- 1.3.4 In this section we provide the results of our viability assessment which we undertook in 2013. A Copy of the appraisal is contained in Appendix A of this report.

Section 5 Sensitivity Testing

- 1.3.5 In this section of the report we test the viability of the scheme with changes in the market. Fluctuations in the market can have a significant effect on viability. For a scheme of this size, which will be developed over a number of years, the effects of these potential variations need to be understood to ensure the correct balance of planning contributions is sought.

- 1.3.6 We have tested the following two scenarios:

- Scenario 1 – Present day Costs & Values (May 2015) ; and
- Scenario 2 – Future Costs & Values (2020).

Section 6 Conclusions & Recommendation

- 1.3.7 This section of the report provides a conclusion of our analysis undertaken in 2013 and our more recent sensitivity testing of the 2013 findings.

1.4 Limitations of Report

- 1.4.1 This report and the accompanying appraisals are documents in relation to the planning application. As per Valuation Standards 1 of the RICS Valuation Standards - Global and UK Edition the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such.

2 Analysis of Costs (2013)

2.1 Introduction

2.1.1 In 2013, we were provided with an infrastructure cost plan prepared by EC Harris on behalf of the developers. In addition we relied on cost estimates provided by recognised published sources such as BCIS and SPONS as well as estimates of comparable schemes. Additional support on cost analysis was provided by Tim Howe Associates (Quantity Surveyors).

2.2 Build Costs - Houses & District Centre

2.2.1 We have referred to BCIS to establish an appropriate base build cost. BCIS provides average building prices taken from a wide range of differing contracts and tenders in the BCIS data bank.

2.2.2 As shown in Table 2.1, in terms of the build costs for housing, we took the median figure for Estate Housing 'generally' re-based for Ipswich. This provides a rate of £739 per sq m. With regard to the local/district centre we assumed a rate of £619 per sq m, which is based on the Median BCIS cost for 'shops' re-based Ipswich.

2.2.3 Median build costs are appropriate to use for a study of this nature as the median is 'the middle static (NOT the middle of the range). Unlike the mean, this is not as easily affected by rouse figures.'³

Table 2.1 BCIS build cost data – Ipswich

Description	Median Build cost £psm
Estate Housing – Generally	739
District/Local Centre	619

Source: BCIS online version last accessed on 25th July 2013

2.3 External Works

2.3.1 BCIS costs include contractor's preliminaries and overheads but not external works. Therefore we needed to make an allowance for these. External works relate to the works that are required outside of the building envelope i.e. to the plots themselves and the wider scheme. They typically range between 10% and 15% of build costs. Table 2.2 below sets out the percentages applied for the different property uses :

Table 2.2 External Works allowances as a percentage

Description	% of Build Costs
Estate Housing – Generally	12%
District/Local Centre	15%

Source: PBA

2.4 Code for Sustainable Homes Level 4

2.4.1 In February 2008 the Department for Communities and Local Government (DCLG) issued 'The Code for Sustainable Homes: Setting the standard in sustainability for new homes'. This

³ BCIS (February 2013) *Quarterly review of building prices Issue (35)*

replaced the December 2006 report 'Code for Sustainable Homes A step-change in sustainable home building practice'.

- 2.4.2 The Code for Sustainable Homes was developed to enable a step change in sustainable building practice for new homes. The Code is a single national standard to guide industry in the design and construction of sustainable homes.
- 2.4.3 The Code for Sustainable Homes is an environmental assessment rating method from one to six. Those homes achieving a six rating are deemed highly sustainable and achieve a zero carbon rating.
- 2.4.4 Since 2006 some of the elements of the Code for Sustainable Homes have been captured through changes in building regulations, and it was generally regarded in the market that 2013 building regulations achieve around Code for Sustainable Homes Level 3. BCIS costs reflect current building regulations. Achieving Code for Sustainable Homes higher than Level 3 represents an additional development cost which was not reflected in the BCIS cost data.
- 2.4.5 At the time of the 2013 assessment the Council wanted the Ipswich Garden Suburb scheme to achieve Code for Sustainable Homes Level 4. In August 2013 DCLG issued the housing standards consultation impact assessment which provided a cost of £2,000 per unit for a 3 bedroom house to achieve Code Level 4 above building regulations. We used this figure in our viability analysis.

2.5 Enabling Works

- 2.5.1 The infrastructure cost plan prepared by EC Harris on behalf of the developers included a breakdown of the enabling works that are required and total £1,145,969. These costs covered site clearance, tree protection, haul roads and earthworks to the playing fields. These were deemed reasonable by our quantity surveyor and were included in the appraisal, split equally between each phase.

2.6 Abnormal Costs

- 2.6.1 The development entails a significant number of abnormal costs, which are typical for a scheme of this nature. We were generally in agreement with the costs submitted by EC Harris except for some elements which we were of the opinion amounts to double counting of professional fees. We calculate the abnormal costs as £37,386,918. This was £3.867 million below the applicant's assessment of these cost elements.

2.7 Contingency & Fees

Contingency

- 2.7.1 The RICS state that '*In all costs, the inclusion of a contingency allowance to cater for the unexpected is essential. The amount is usually reflected as a percentage of the building contract sum and is dependent upon the nature of the development, the procurement method and the perceived accuracy of the information obtained.*'⁴
- 2.7.2 Typically contingency varies between 2.5% to 10%. Due to the nature of the proposed development and the significant abnormal costs associated with it, we applied different contingencies to the main cost items. As shown in Table 2.3 abnormal costs are typically the more risky cost items, so we applied a higher rate of 7.5%. Whilst general build costs are less risky resulting in a lower rate of 5%. The rates used are in line with industry standards. In some instances our contingency allowance was higher than EC Harris assessment and sometimes lower.

⁴ RICS (2012) *Financial Viability in Planning*, 1st Edition (41)

Table 2.3 Contingency as a percentage

Description	PBA contingency as a %
General Build Costs	5%
Abnormal Costs	7.5%

Source: PBA

Professional Fees

- 2.7.3 Professional fees include costs associated in bringing the development forward. It includes costs for project management, surveyors, planning, etc. As described in **Error! Reference source not found.** we were of the opinion that some professional fees listed are double counted with the fees outlined in Table 2.4. The fees stated were in line with industry standards and reflected the amount of design work required. For example, abnormals will require more bespoke design work compared to standard house types which are likely to be built out by volume house builders who can achieve economies of scale with unit design. The professional fees on the base build costs were therefore lower than the developer's assessment.

Table 2.4 Professional fees as a percentage

Description	PBA professional fees as a %
Professional fees on base build costs	8%
Professional fees on abnormal costs	12%

Source: PBA

2.8 Sales Agents & Marketing Fees

Agents & Marketing Fees

- 2.8.1 The Harman report states that for sales and marketing costs '*An allowance should be made for these costs of around 3-5% of the gross development value, recognising that this may vary depending on the relative strength of the local market.*'⁵
- 2.8.2 Based on industry standards we have applied the rates set out in Table 2.5. This equates to 3.1% of gross development value. Given the scale of the proposals we were of the opinion that certain economies of scale will be achieved in the marketing and sales process and therefore these rates are reasonable.

Table 2.5 Agents & marketing fees

Description	Cost
Legal fee on residential disposals	£500 per unit
Marketing costs	3.5% Gross Development Value of market housing

Source: PBA

⁵ Local Housing Delivery Group Chaired by Sir John Harman (June 2012) *Viability Testing Local Plans Advice for planning practitioners (35)*

2.9 Build Rate

- 2.9.1 Build out rates in 2013 were low by historic standards at around 50 units per annum. On a scheme of the size of the Ipswich Garden Suburb we would expect more than one developer being on site at a single time. We were therefore of the opinion that the assumption of 200 units per annum from 2016 was reasonable and was used in our appraisal.

2.10 Finance Costs

- 2.10.1 The RICS states that *'Most development projects are funded from interest-paying borrowings that are highly sensitive to timescales and risks. Interest arises on land acquisition and development costs. The rate of interest reflects levels in the market for the type of scheme involved. It is either paid when due or deferred (rolled up) throughout the projected programme. Conventionally, the interest is compounded either quarterly or annually, in line with the current market practice. Delay, added complications or shifts in the money markets can all, therefore, have an important impact on finance costs.'*

Viability appraisals generally assume that projects are fully funded by borrowing money. This is often referred to as 100 per cent gearing. Even where the funder has provided only part of the finance debt and the developer has used his own funds for the balance (equity), the appraisal should reflect the total cost of the funding.⁶

- 2.10.2 To reflect RICS guidance and general industry practice we included a detailed cashflow in our viability assessment. We assumed that the scheme is 100% debt financed. Interest charges are calculated on a calendar month basis. Total build costs, land payments and interest charges are paid back during the cashflow period when monthly sales are made.
- 2.10.3 In our assessment we have assumed a finance cost of 6% per annum. This was based on typical lending rates being secured by the national house builders in 2013.

2.11 Land Acquisition Costs

- 2.11.1 As set out in Table 2.6 we have assumed Stamp Duty Land Tax (SDLT) rates based on Her Majesty's Revenue and Custom's (HMRC) rates for land transactions:

Table 2.6 HMRC SDLT Rates

Up to £125,000	0.00%
Over £125,000 to £250,000	1.00%
Over £250,000 to £500,000	3.00%
Over £500,000	4.00%

Source: HMRC

- 2.11.2 In terms of agents and legal fees we applied a rate of 1% for agency fees and 0.75% for the legal fees incurred in acquiring the land. This is in line with industry standards.

2.12 Developer Return

- 2.12.1 In our assessment we applied a profit of 17% of the gross development value on the market and affordable housing and a profit of 15% of the gross development value for the commercial elements of the scheme. In terms of the profit on the housing this is blended rate across

⁶ RICS (2012) *Financial Viability in Planning*, 1st Edition (41)

market housing and affordable housing. It is industry practice to assume a much lower rate for affordable housing than market housing. In all instances the rates assumed are in line with the returns developers were pursuing in 2013.

2.13 Other S.106 Costs

2.13.1 Ipswich Garden Suburb is a considerable development and as such necessitates the provision of extensive local services and facilities to support the new residents and businesses. It is envisaged that these will be delivered as S.106 contributions. A list of works was provided by the developer with input from Ipswich Borough Council (IBC). These costs are in addition to the affordable housing that will be provided onsite, which is dealt with separately in Chapter 4.

2.13.2 Figure 2.1 below summarises the total S.106 costs (excluding affordable housing) that will be provided as part of the scheme. The total cost for these works is £57,905,538 and was used in our viability assessment.

Figure 2.1 S.106 Costs

		PBA Comment
S106 Costs	£57,905,538	
24.5ha Country Park with visitor centre	£1,515,118	Revised figure provided by IBC 12/09/13
Country Park maintenance sum (10 years)	£1,744,755	Revised figure provided by IBC 12/09/13
Formal open space (incl sports pitches), parks & gardens, play areas and youth provision (15ha) capital cost	£5,801,069	Revised figure provided by IBC 12/09/13
Formal open space (incl sports pitches), parks & gardens, play areas and youth provision maintenance cost	£1,354,313	Revised figure provided by IBC 12/09/13
Natural, semi-natural and amenity green space (22ha) capital cost	£600,000	Revised figure provided by IBC 12/09/13
Natural, semi-natural and amenity green space maintenance cost	£457,314	Revised figure provided by IBC 12/09/13
Allotments (3ha) capital cost & £30k maintenance	£580,167	Revised figure provided by IBC 12/09/13
Indoor Sports (swimming pool)	£1,015,571	Revised figure provided by IBC 12/09/13
3No primary schools (proportionate contribution) with nurseries on 2ha sites	£13,568,571	Revised figure provided by IBC 12/09/13
1200 place secondary school (proportionate contribution of school build cost) with additional £1m payment providing additional sports facilities	£12,050,000	Revised figure provided by IBC 12/09/13
Library	£745,920	Revised figure provided by IBC 12/09/13
1000 sq m community centre	£1,040,000	Revised figure provided by IBC 12/09/13
Temporary community centre	£50,000	Revised figure provided by IBC 12/09/13
500sqm Community Centre (potential shared use with CP visitor centre)	£520,000	Revised figure provided by IBC 12/09/13
Community Development Officers	£250,000	Revised figure provided by IBC 12/09/13
Rail Crossing Construction	£5,805,000	Phases 1 & 2
Fonnereau surface improvements & ped/cycle bridge	£1,200,000	Highways quote of £1m bridge and £200k for surface works
Off site cycle and ped improvements	£725,000	
Ped & cycle signage	£125,000	
Westerfield Station	£110,000	
UTMC	£1,000,000	Revised figure provided by IBC 12/09/13
Offsite S278	£2,000,000	Revised figure provided by IBC 12/09/13
Speed limit changes	£10,000	
Ped & Cycle crossings	£160,000	Revised figure provided by IBC 12/09/13
Road safety improvements in Westerfield village (£80k) & The Crofts (£200k)	£280,000	
Bus service for 5 years (£3.125m) including c. 5 shelters (£75k)	£3,275,000	Revised figure provided by IBC 12/09/13
Off-site bus priority measures (physical)	£250,000	Revised figure provided by IBC 12/09/13
Travel Plan	£1,142,250	Revised figure provided by IBC 12/09/13
Electric Charging Points	£28,000	
Waste transfer contribution	£152,490	Revised figure provided by IBC 12/09/13
S106 Monitoring Costs	£100,000	
Travel bond	£250,000	

Source: PBA

2.14 Unit Sizes

2.14.1 The developer did not provide a full schedule of accommodation for each of the phases of proposed development. They assumed an average dwelling size for private and affordable as follows. These were deemed reasonable and were used in our viability analysis.

Table 2.7 Unit Sizes

Description	Unit Size Gross Internal Area
Houses – private	98 sq m
Houses – affordable	84 sq m

Source: Developer

3 Analysis of Sales Values

3.1 Introduction

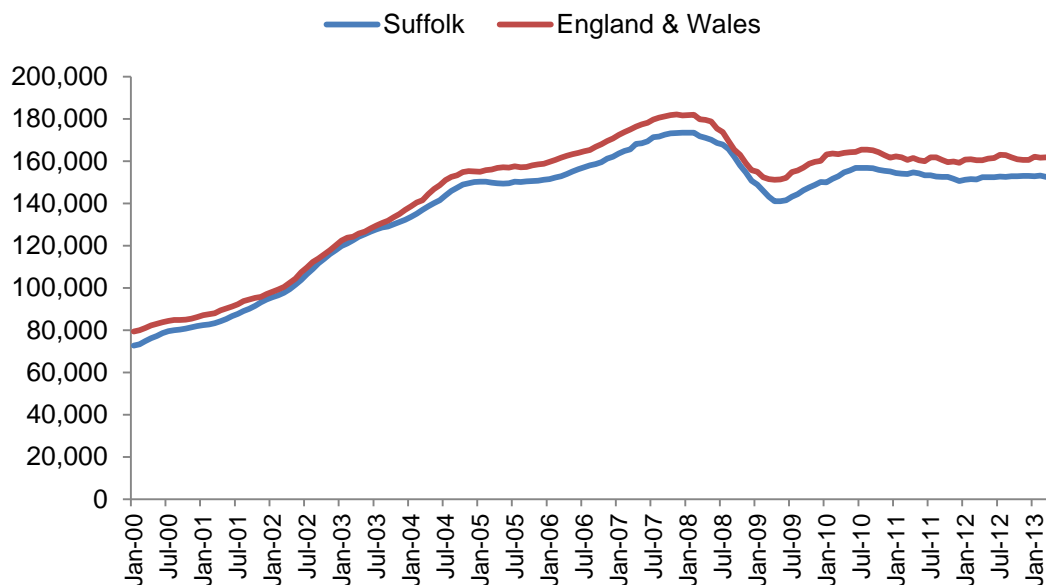
3.1.1 This section of the report provides an assessment of the residential and commercial markets in 2013. This analysis was used to inform the revenue assumption in our appraisal, and the threshold land value. In our assessment we relied on recognised published data from Land Registry, DCLG, Focus, Lambert Smith Hampton and the Harman Report. We also supplemented this information with consultation with local active estate agents.

3.2 Residential Market Overview

3.2.1 Figure 3.1 illustrates the longer-term changes in house prices across the whole of Suffolk. It is notable that average house prices in Suffolk have broadly fluctuated in line with the England & Wales – though generally falling below the national average. The average house price in Suffolk at the time of the assessment was £152,671 (April 2013) compared to the average for England & Wales of £161,458.

3.2.2 Average house prices in Suffolk are significantly below their 2008 peak of £173,407; however, the graph below illustrates that house prices in Suffolk have remained relatively constant since 2010.

Figure 3.1 Average House Prices in Suffolk and the UK



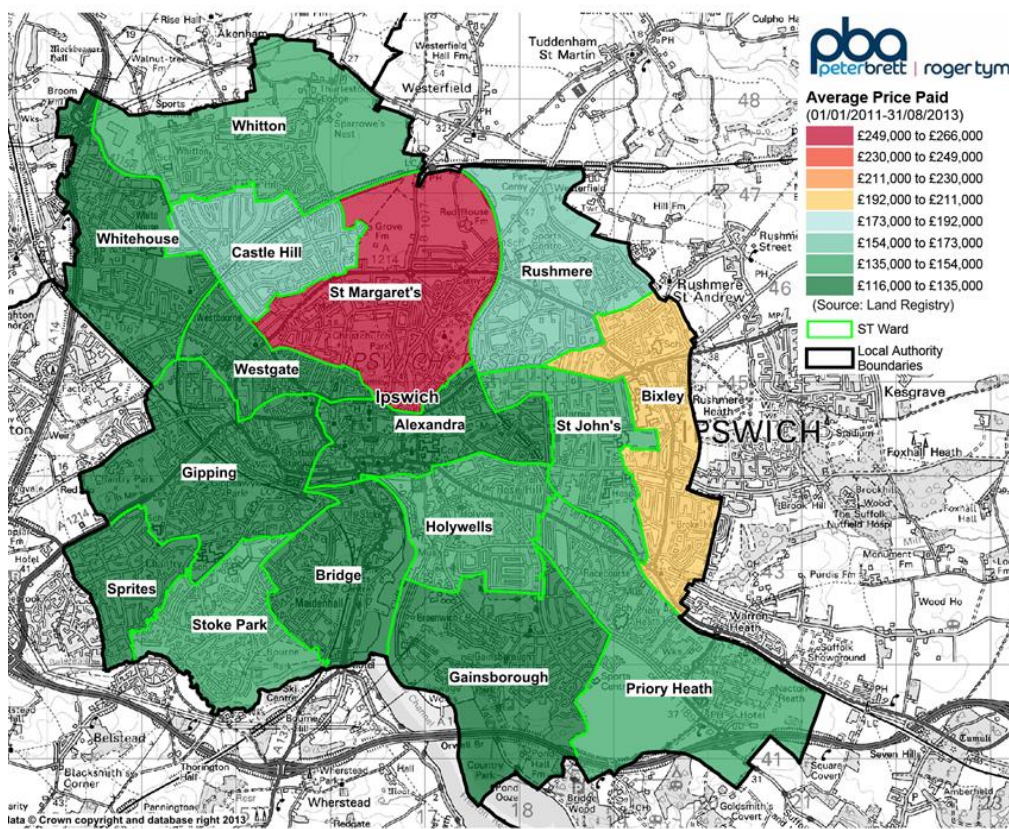
Source: PBA, Land Registry

3.3 Residential Sales Values Ipswich

Land Registry Published Data

3.3.1 As shown in Figure 3.2 land Registry data (new and second hand homes) shows higher value sale prices in Ipswich are generally achieved towards the north of the Borough with lower values towards the west and south. The mapping clearly shows that the general tone of house prices across the borough is captured in the lower value bands. There is also a clear differential between the lower value band area where house prices are between £116,000 and £135,000. Prices in the highest value area between £249,000 and £266,000 which is around double the price of the lowest value zone.

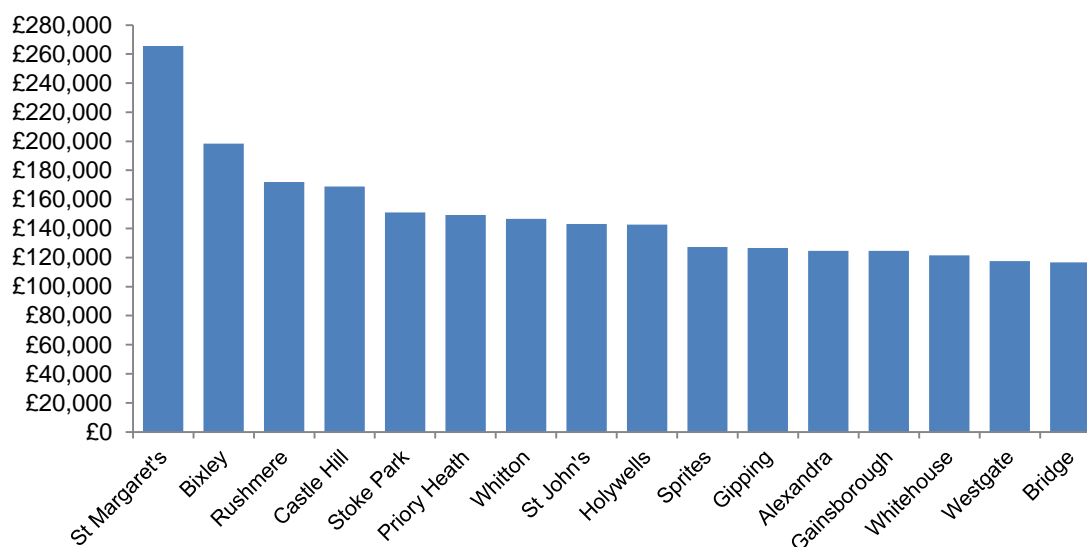
Figure 3.2 Map: Average house prices across Ipswich



Source: Land Registry, PBA

3.3.2 Detailed analysis of average prices across Ipswich Borough (Figure 3.3) shows that St Margaret's is significantly higher value than the other wards within the Borough with an average house price of £265,544; elsewhere, Bixley ward is closest in terms of value with an average house price of £198,409, around £65,000 lower. After these two wards house prices start to plateau. There are five wards (around 1/3rd of total) where average prices range from £140,000 to £150,000. These are Stoke Park, Priory Heath, Whitton, St John's and Holywells). Then there is a second band of average prices for another five wards which range from £120,000 to £130,000. These wards are Sprites, Gipping, Alexandra, Gainsborough and Whitehouse.

Figure 3.3 Average house price by Census Standard Table ward (January 2011 to August 2013)



Source: PBA, Land Registry

Consultation (2013)

3.3.3 At the time of our assessment (which coincided with our 2013 Community Infrastructure Levy study) consultation was undertaken with local active agents and house builders. The general sentiment at the time was that:

- The market appears to be more buoyant than recent years with steady levels of demand. However, vendors have to be realistic on asking price and units will only sell quickly if priced correctly. There is still demand for family housing but no demand for flats.
- Prices fluctuate greatly across Ipswich with the south east and south west of the Borough generally being lower value. Conversely, the area surrounding Christchurch Park is the most affluent.
- The vast majority of flatted development is in the town centre and along the waterfront southwards. New build units would be expected to achieve £90,000 for a one bed and £110,000 for a two bed.
- New build houses in west Ipswich would be expected to achieve circa £1,800 to £1,900 per sq m. On the basis of an average dwelling size of 90 sq m this would equate to a sales price of £162,000 to £171,000.

- New build houses in east Ipswich would be expected to achieve circa £1,900 to £2,250 per sq m. On the basis of an average dwelling size of 90 sq m this would equate to a sales price of £171,000 to £202,500.
- New build houses in north Ipswich (Christchurch Park) would be expected to achieve circa £2,000 to £3,200 per sq m. On the basis of an average dwelling size of 90 sq m this would equate to a sales price of £180,000 to £288,000.

Current New Build Development (2013)

3.3.4 In addition analysis was undertaken of current new build developments in the Borough. At the time of the assessment there were relatively few large scale developments in Ipswich. The two major housing developments were schemes by developers Charles Church and Crest Nicholson. These were analysed as follows:

- Latitude, Ravenswood (Charles Church) – located in the south of the Borough near junction 57 of the A14. Phase two comprises four, five and six bedroom detached family houses.
 - Four bed detached units were being marketed from £344,950; with a size of circa 170 sq m this equates to £2,029 per sq m. Five bed detached houses were marketed from £365,000; with a size of circa 180 sq m this equates to £2,028 per sq m. Six bed detached houses were being marketed from £479,950; with a size of circa 260 per sq m this equates to £1,846 per sq m.
 - Incentives on certain homes within the development currently comprised £20,000 cash discount, £500 towards legal fees, standard carpets/flooring throughout, £1,000 towards Christmas shopping and turf to rear garden. Once incentives are factored in values reduced to between £1,770 per sq m and £1,917 per sq m.
- Vista, Woodbridge Road (Crest Nicholson) – located off Woodbridge Road to the north east of the town centre in relatively close proximity to the affluent area of Christchurch Park. The development is a mix of one and two bedroom flats, and two, three and four bedroom houses. The one and two bed units were sold historically. A three bed semi-detached unit of 81 sq m sold for £195,000 in 2013, equating to £2,407 per sq m and a three bed detached unit of 96 sq m for £220,000 equating to £2,292 per sq m. Four bed units sold for a wider price range; a 4 bed semi-detached of 106 sq m has recently sold for £220,000 equating to £2,075 per sq m and a 4 bedroom detached of 129 sq m for £315,000 equating to £2,442 per sq m.

Ipswich Garden Suburb

3.3.5 The Ipswich Garden Suburb development covers both a high value and a mid value price range identified in the heat map analysis in Figure 3.2. As set out in Paragraph 2.9.1 to achieve the build out rate required there will be a number of outlets on site at the same time offering a range of products. Our analysis showed that new build sale prices net of incentives range between £1,770 per sq m (relatively low value area) and £2,442 per sq m (relatively high value area). This compares to the developer's figure of figure of £2,152 per sq m which is around the mid-point of the two figures. The appraisal assumes a single size unit of 98 sq m which results in a capital value per unit of £210,869 per unit when using the developer figure of £2,152 per sq m. Based on our analysis the sales value proposed by the developer is reasonable and has been used in the viability testing.

3.4 Affordable Housing Sales Values

- 3.4.1 Table 3.1 shows the affordable housing capital transfer rates assumed. These include values for both affordable rent and shared ownership housing products. The capital transfer value is the amount returned to the developer when these units are sold to a Registered Provider. These percentages of market value were tested through our Suffolk CIL Report (dated August 2013) which was based on consultation with Registered Providers.

Table 3.1 Affordable Housing Capital Transfer Values

Affordable Housing Type	Capital Transfer Value (per sq.m.)
Affordable Rent @ 55% of Market Value	£1,184
Intermediate Housing @ 65% of Market Value	£1,399

Source: PBA

3.5 District & Local Centre Sales Values

- 3.5.1 It is envisaged that the district and local centres will attract a mix of tenants to service the housing developments. The mix of tenants is likely to provide a range of covenant strengths including local companies and possibly some national operators. We would expect that some elements of the scheme may attract convenience retail but this may be delivered through symbol stores (e.g. SPAR, Londis, or Premier) which are franchised and offer little in the way of covenant strength compared to one of the big four by market share (Tesco, Sainsbury's, Asda and Morrisons).
- 3.5.2 Evidence of retail rents in Ipswich (Table 3.2) showed that secondary properties achieved rents of between £77 per sq m and £150 per sq m per annum.

Table 3.2 Retail rental evidence of Ipswich

Date of letting	Address	Size sq m	Rent achieved psm
01/06/2010	55 St Helens Street, Ipswich IP4 2JL	84	£77
22/03/2010	41 Upper Brook Street Ipswich IP4 1DU	254	£106
01/02/2010	5 Eagle Street, Ipswich IP4 1JA	39	£115
02/01/2013	Athena Hall, Duke Street, Ipswich, IP3 0BF	178	£140
24/01/2011	Athena Hall, Duke Street, Ipswich IP3 0BF	113	£150
01/08/2011	185 Felixstowe Road, Ipswich, IP3 9BJ	43	£138
01/05/2013	Block G, Duke Street, Ipswich, IP3 0AE	102	£147

Source: Focus

- 3.5.3 Retail yields vary significant depending on covenant strength, lease length, lease terms and rent achieved. At the stage of the 2013 assessment it was unclear as to the exact nature of the tenants that would take the space in the district and local centres. We therefore relied on research undertaken by commercial agents Lambert Smith Hampton (Table 3.3) to inform potential yields.

- 3.5.4 The yield evidenced showed the secondary retail can achieve anywhere from 6% to 10.75%, depending on the lease length and type of covenant. Convenience retail (supermarkets) achieving a much keener (lower) yield with these ranging from 4.5% to 7.75%. The overall range was between 4.5% and 10.75%. Total void periods (letting void and rent free range between 24 and 38 months.

Table 3.3 Yield and void matrix: Q2 2013

Asset Class	Void period – months	Rent free period – months	Yield - prime covenants ⁷	Yield - National and strong regional covenant ⁷	Yield - Small companies and private individuals ⁷
High street retail (good secondary)	18	18	6% – 8.5%	6.75% – 9%	7.75% – 9%
High street retail (secondary)	20	18	7.25% – 10.75%	8.25% – 10.75%	9.25% – 10.75%
Supermarkets	12	12	4.5% – 7%	5.75% – 7.25%	7.25% – 7.75%

Source: Lambert Smith Hampton

- 3.5.5 Based on the published evidence we used an all risk yield (which factors in void periods) of 8% and a rent of £129 per sq m.

3.6 Threshold Land Value

- 3.6.1 In our assessment of a suitable land value we used the guidance set out in the Harman Report,⁸ the HCA Transparent Viability assumptions report⁹ and Turner Morum's DCLG research report on land values.¹⁰
- 3.6.2 The Harman methodology to assess land value is based on a premium over current use values and credible alternative use values. It acknowledges that the precise figure to be used as an appropriate premium above current use value should be determined locally, but it should be sufficient to persuade landowners to sell.
- 3.6.3 The Harman report acknowledges that large greenfield sites are less straight forward when setting a threshold land value:

It is widely recognised that this approach can be less straight forward for nonurban sites or urban extensions, where land owners are rarely forced or distressed sellers, and generally take a much longer term view over the merits or otherwise of disposing of their asset.

This is particularly the case in relation to large greenfield sites where a prospective seller is potentially making a once in a lifetime decision over whether to sell an asset that may have been in the family, trust or institution's ownership for many generations.¹¹

⁷ Yield quoted depends on length of lease taken. Range provided of 1 to 25 years. 1 year achieving the highest yield and 25 years the lowest.

⁸ Local Housing Delivery Group (June 2012) *Viability Testing Local Plans – Advice for planning practitioners*

⁹ HCA (2010) *Area Wide Viability Model Annex 1 Transparent Viability Assumptions August*

¹⁰ Turner Morum, DCLG (2011) *Cumulative impacts of regulations of house builders and landowners – research paper*

¹¹ Harman (June 2012) *Viability Testing Local Plans Advice for planning practitioners (30)*

- 3.6.4 The Harman report does not provide specific guidance on the extent of premium to be applied but does state:

*'the uplift to current use value sought by the landowner will invariably be significantly higher than in an urban context'*¹¹

- 3.6.5 Taking the Harman guidance of the starting point of our analysis we based our assessment of existing use value on its agricultural use. In determining an appropriate premium to reflect the site's long term development potential the HCA Transparent Viability assumptions report provides useful guidance. The HCA report refers to a figure of between 10 and 20 times agricultural value. This level of premium is considered sufficient for a landowner making the 'once in a lifetime' decision to sell.
- 3.6.6 Published evidence showed agricultural land values in the Suffolk area were circa £22,140 per hectare (£9,000 per acre).¹² We applied the multiplier to the agricultural land values and this produced a gross land value of between £221,400 and £442,800 per hectare (£90,000 and £180,000 per acre).
- 3.6.7 Another relevant reference point to inform a suitable threshold land value is research published by Turner Morum on behalf of the DCLG.¹³ This states that land values are typically between £246,000 to £369,000 per gross hectare (£100,000 to £150,000 per gross acre) for greenfield agricultural sites with strategic development potential. When we cross-reference the Turner & Morum research with agricultural with multiplier we see that it falls in this range.
- 3.6.8 Having considered all the evidence gathered and the strength of the local Ipswich housing market we were of the opinion that an appropriate threshold land value for the Ipswich Garden Suburb site should be £250,000 per gross hectare (£102,000 per gross acre). Although at the lower end of the range it is in our opinion sufficient incentive to sell taking into account the strength of the local housing market.
- 3.6.9 Our viability assessment used a net developable residual land value. We have therefore converted the gross land value figure of £250,000 per hectare (£102,000 per acre) to a net figure. We converted this figure through assuming a net developable area of 50% which is in line with other strategic sites of this nature which have little site constraints.
- 3.6.10 We applied this to the gross land value of £250,000 per hectare (£102,000 per gross acre), this equated to a net land value of £500,000 per hectare (£203,252 per net acre) and it is this figure which we have used in our analysis.

¹² Savills (Q3 2013) - *Market in Minutes, Q3 Farmland Market*

¹³ Turner Morum, DCLG (2011) *Cumulative impacts of regulations of house builders and landowners – research paper (7)*

4 Results of Viability Assessment 2013

4.1 Introduction

4.1.1 In this section we provide the results of our viability which we undertook in 2013. A summary of the appraisal is contained in Appendix A of this report.

4.2 Affordable Housing Policy Requirement

4.2.1 Ipswich Borough Council's Affordable Housing Policy states that on developments of 15 or more units, 35% affordable housing (based on floorspace) is to be provided, made up of 80% social rented units and 20% intermediate / shared ownership units. However, these targets can be subject to viability testing where considered necessary on a site-by-site basis. Furthermore, the Council recognises that the introduction of the affordable rent tenure may be a more viable form of development than social rent and as such is open to a tenure split to include this provision if this would secure more affordable homes.

4.2.2 As part of our assessment we tested the Council's affordable housing policy requirements. However, as a result of the abnormal site infrastructure costs, the viability appraisal showed that the scheme could not afford to provide 35% affordable housing. Following discussions with the Local Authority it was agreed that a phased approach would be acceptable, whereby the developer provides a small percentage of affordable housing in the early phases of the scheme but this was increased as the development progresses, with the later stages providing a higher percentage of affordable housing, in excess of the policy requirement. Table 4.1 below shows the different affordable housing applied in our appraisal with the threshold land value achieved.

Table 4.1 Affordable Housing % by Phase – 2013 Assessment

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace
Phase 1	5%	4.3%
Phase 2	2%	1.71%
Phase 3	28%	24.91%
Phase 4	41%	37.22%
Phase 5	43%	39.16%
Phase 6	44%	40.13%
Phase 7	58%	54.09%
Blended affordable housing rate across whole scheme	31.6%	28.25%

Source: PBA

4.2.3 This resulted in a blended affordable housing rate of 31.6% of total units and 28.25% of total floor space. The 28.25% of total floorspace figure was below the Council's target of 35%.

5 Sensitivity Testing

5.1 Introduction

- 5.1.1 In this section of the report we have updated the build costs and residential sale values sections of 2013 viability report to represent a May 2015 position on viability. In accordance with our instruction we have not re-assessed any costs and values to come to this updated position.
- 5.1.2 We have subsequently undertaken a sensitivity testing of this May 2015 position assuming a five year forecast to assume a start on site in 2020.

5.2 Scenario 1 –Costs & Values as at May 2015

- 5.2.1 We have updated our assumptions on costs and values to reflect current market prices. For the base build costs we have referred to current BCIS data rebased for Ipswich. In terms of abnormal infrastructure costs these have been adjusted in line with BCIS Civil Engineering Tender Prices. Whilst for sales values we have relied on the percentage change on achieved average house price data provided by Land Registry.
- 5.2.2 It should be noted that *on 27 March 2015 the Government announced a new approach to the setting of technical housing standards in England. This was accompanied by the publication of a new set of streamlined national technical standards.*¹⁴ This has resulted in: *the Government has withdrawn the Code for Sustainable Homes, aside from the management of legacy cases.*¹⁵
- 5.2.3 To reflect the Government announcement on 27 March 2015 that the Code is now withdrawn we have removed the cost of Code for Sustainable Homes Level 4 of £2,000 per unit All other assumptions remain the same.
- 5.2.4 Table 5.1 summarises the forecasted change in tender prices on an annual basis based on the BCIS Civil Engineering Tender Prices forecast infrastructure construction demand, cost inflation and price inflation over a 5 year period.

Table 5.1 Annual Change in Civil Engineering Tender Prices as a %

Civil Engineering Tender Prices (Year)	Annual % Change
Q32013 to Q32014	11.1%
Q32014 to Q32015	3.6%
Q32015 to Q32016	5.5%
Q32016 to Q32017	5.9%
Q32017 to Q32018	4.3%
Q32018 to Q32019	5.3%

Source: BCIS/PBA

- 5.2.5 Annual tender prices are provided every third quarter. Since we are currently only in the second quarter of 2015 we have adjusted the forecasted annual percentage change for Q32014 to Q32015 to 2.7%. This equates to 75% of the predicted annual change, thereby

¹⁴ <https://www.gov.uk/government/publications/2010-to-2015-government-policy-building-regulation/2010-to-2015-government-policy-building-regulation#appendix-5-technical-housing-standards-review>

¹⁵ <http://www.planningportal.gov.uk/buildingregulations/greenerbuildings/sustainablehomes/technicalguide>

providing a total change since July 2013 of 14%. When we apply this to the original cost of £38,532,887 we calculate a revised cost of £43,962,171 for the abnormal infrastructure works.

- 5.2.6 The Land Registry states that the average house price in Suffolk in July 2013 was £153,392. The most recent evidence (March 2013) shows the average price is now £172,151. This represents an increase of 12.22%.
- 5.2.7 In Table 5.2 below we have summarised the differences between these three variables for July 2013 and May 2015.

Table 5.2 Summary of Cost and Value variations between July 2013 & May 2015

Assumption	July 2013	May 2015	% change
Sales Values – Houses	£2,152/sq.m.	£2,415/sq.m.	+12.22%
Base Build Costs	£739/sq.m.	£905/sq.m.	+22.46%
Abnormal Costs	£38,532,887	£43,962,171	+14.09%

Source: Land Registry/BCIS/PBA

Results: Scenario 1 –Costs & Values as at May 2015

- 5.2.8 As shown in Table 5.3 the results of viability testing to May 2015 costs and values shows that the amount of affordable housing the scheme can viably support is lower. This is because costs are currently exceeding values. The results of the testing shows the affordable housing, as percentage of number of units, has reduced from 31.6% to 27.2% overall, which represents a reduction on the floorspace from 28.25% to 24.19%. In percentage terms this is a 14% reduction. A copy of the appraisal is contained in Appendix B of this report.

Table 5.3 Results of viability testing Scenario 1 – present day costs and values (May 2015)

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace	Scheme Surplus £per net Ha
Phase 1	1.00%	0.85%	£22,069
Phase 2	0.0%	0%	-£21,003
Phase 3	23.0%	20.31%	£7,029
Phase 4	37.0%	33.38%	£2,493
Phase 5	38.5%	34.82%	£9,184
Phase 6	39.0%	35.3%	£14,483
Phase 7	52.0%	48.03%	£13,335
Blended affordable housing rate across whole scheme	27.2%	24.19%	£47,592

Source: PBA

- 5.2.9 The viability analysis shows that in present day terms the early phases are particularly marginally viable. In particular Phase 2 which is marginally unviable with zero affordable housing. We have assumed that Phase 1 will cross subsidise the deficient. In reality the Council may wish to move some of the Section 106 contributions from Phase 2 to a much more viable phase to make Phase 2 more viable and reduce the viability elsewhere.

5.3 Scenario 2 – Future Costs & Values in 2020

- 5.3.1 Building on the sensitivity testing of Scenario 1 to bring the cost and values up May 2015. We have developed a further scenario assuming the scheme starts in 2020.
- 5.3.2 In order to provide a realistic indication of costs and values in five years' time, we have relied on several different data sources, namely BCIS, Land Registry and various publications and industry research. We have also considered historic data to establish trends and benchmark these against the projections. We have not forecast any further than five years' time even though the development will take longer than this period to build out, because there is very little robust published data available which provides forecasts beyond 2020.
- 5.3.3 In terms of residential sales values, analysis (Figure 5.1) has shown that average house prices in Suffolk have historically followed UK house prices, albeit at a slightly lower level than the national average. In March 2015, average house prices in Suffolk were £172,151, in comparison to the UK average, which was marginally higher at £178,007.

Figure 5.1 Average House Prices in Suffolk & England & Wales



Source: Land Registry/PBA

- 5.3.4 Table 5.2 shows published forecasts residential values over the next 5 years across the UK.¹⁶ In the East of England these are expected to increase by 25.2%, whilst in the UK residential values are predicted to rise by 19.3%.
- 5.3.5 Analysis of historic prices (Figure 5.1) showed that in Suffolk itself, prices are typically lower than the UK average. Therefore, we have assumed that the area will not experience such a high rise in property prices as suggested in Figure 5.2. Instead it will encounter a lower level of growth, in line with the UK predictions of 19.3%.

¹⁶ Savills (2014) *Residential Property Focus Q4 2014 – five year forecast issue*

Figure 5.2 Mainstream Residential Values – Five Year Forecast

MAINSTREAM MARKETS Five-year forecast values (2015-2019)

	2014	2015	2016	2017	2018	2019	5-year
UK	8.5%	2.0%	5.0%	5.0%	3.0%	3.0%	19.3%
London	15.0%	0.0%	3.0%	3.0%	2.0%	2.0%	10.4%
South East	12.0%	3.0%	6.5%	6.5%	4.0%	4.0%	26.4%
South West	7.5%	2.5%	5.0%	5.0%	3.5%	3.5%	21.1%
East of England	11.0%	3.0%	6.0%	6.0%	4.0%	4.0%	25.2%
East Midlands	8.0%	2.0%	5.0%	5.0%	3.0%	3.0%	19.3%
West Midlands	7.0%	2.0%	4.5%	4.5%	3.0%	3.0%	18.2%
North East	5.0%	1.0%	3.5%	3.5%	2.0%	2.0%	12.6%
North West	5.0%	1.0%	4.0%	4.0%	2.0%	2.0%	13.7%
Yorks & Humber	4.0%	1.5%	4.5%	4.5%	2.5%	2.5%	16.5%
Wales	4.0%	1.5%	4.0%	4.0%	2.5%	2.5%	15.3%
Scotland	5.0%	3.5%	4.0%	4.0%	2.5%	2.5%	17.6%

Source: Savills Research/PBA

5.3.6 In terms of the development costs we have adjusted both the base build cost and the abnormal infrastructure costs, using BCIS data sources. For the base build costs we have referred to BCIS All in Tender Prices and for abnormal infrastructure costs we have used BCIS Civil Engineering Tender Prices. Table 5.4 shows the annual percentage change in BCIS All in Tender Prices.

Table 5.4 BCIS All in Tender Prices

Date	Annual % Change	Adjusted BCIS Build Costs (psm)
2Q 2016	4.2%	£943.1
2Q 2017	5.9%	£998.6
2Q 2018	4.8%	£1046.5
2Q 2019	5.3%	£1,101.9
2Q 2020	4.8%	£1,154.7

Source: BCIS/PBA

5.3.7 Our analysis suggests an adjusted BCIS build cost of £1,154.7 per sq.m, which we have applied to our appraisal.

5.3.8 We have also adjusted the abnormal infrastructure costs by applying the different annual percentage changes set out in Table 5.1 and compounded over the next 5 years. This provides an estimated cost of £52,628,217.

5.3.9 All of these adjustments to cost and value are summarised in Table 5.5.

Table 5.5 Summary of Cost and Value variations between May 2015 & May 2020

Assumption	May 2015	May 2020	% change
Sales Values – Houses	£2,415/sq.m.	£2,881/sq.m.	+19.30%
Base Build Costs	£905/sq.m.	£1,154.7/sq.m.	+27.59%
Abnormal Costs	£43,962,171	£52,628,217	+19.71%

Source: Land Registry/BCIS/Savills/PBA

Results: Scenario 2 – Future Costs & Values in 2020

- 5.3.10 As shown in Table 5.6 the results of the sensitivity testing to five years future cost and values shows that the amount of affordable housing the scheme can viably support is lower. This is because costs are forecast to continue to exceed values.
- 5.3.11 The results of the testing shows the affordable housing, as percentage of number of units, has reduced from 31.6% (2013) to 24.9%, which represents a reduction on the floorspace from 28.25% (2013) to 22.08%. In percentage terms this is a reduction of 21.84%. A copy of the appraisal is contained in Appendix C of this report.

Table 5.6 Results of viability testing Scenario 2 – Future Costs & Values in 2020

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace	Scheme Surplus £per net Ha
Phase 1	0.0%	0%	£40,866
Phase 2	0.0%	0%	-£45,448
Phase 3	20.0%	17.58%	£12,913
Phase 4	34.5%	31.01%	£1,247
Phase 5	36.0%	32.43%	£2,422
Phase 6	36.5%	32.90%	£5,873
Phase 7	47.5%	43.56%	£4,298
Blended affordable housing rate across whole scheme	24.9%	22.08%	£22,173

Source: PBA

- 5.3.12 It should be noted, Phase 2 is unviable in this scenario to deliver 0% affordable housing and we have assumed that the surplus in viability of Phase 1 will need cross subsidies the deficient. In reality the Council may wish to move some of the Section 106 contributions from Phase 2 to another phase to make this phase viable.

6 Conclusions

6.1 Introduction

- 6.1.1 We have reviewed our conclusions on the 2013 viability analysis and updated the appraisals and findings based on May 2015 data and anticipated market conditions in 2020.

6.2 Development Appraisal Assumptions

- 6.2.1 Our analysis of the development costs in 2013 showed that they are generally reasonable except for some elements of professional fees. A number of the cost associated with the Section 106 contributions were revised following advice from IBC and these figures were used in our viability assessment.
- 6.2.2 The sale value proposed of £2,152 per sq m by the developer was deemed reasonable when we benchmarked against published data and was used in our 2013 viability assessment. Following consultation with Register Providers affordable housing values were based on percentages of market value at 55% for affordable rent and 65% intermediate housing. Commercial rents and yields were based on published evidence in Focus and Lambert Smith Hampton research resulting in rates of 8% and a rent of £129 per sq m.
- 6.2.3 We based our assessment of threshold land value on guidance set out in the Harman Report, the HCA Transparent Viability assumptions report and Turner Morum's DCLG research report on land values.
- 6.2.4 The threshold land value was calculated through looking at agricultural land values in Suffolk which were circa £22,140 per hectare (£9,000 per acre). Then based on HCA guidelines we applied a 10 to 20 times multiplier which is considered a sufficient premium over existing use values for sites of this nature to come forward for development. This produced a range of £221,400 and £442,800 per hectare (£90,000 per and £180,000 per acre). Turner Morum research recommended a range of between £246,000 and £369,000 per gross hectare (£100,000 and £150,000 per gross acre), which falls in the range of the agricultural multiplier applied. Taking the analysis of land value into account and the sale values achievable in Ipswich we are of the opinion that a suitable threshold land value for the site was £500,000 per hectare (£203,252 per net acre) or £250,000 per gross hectare (£102,000 per gross acre). To convert to from gross to net values we assumed a 50% site coverage.

6.3 Results of Viability Testing 2013

- 6.3.1 The results of our viability testing in 2013 showed that over seven phases of development the scheme could support 31.6% affordable housing as percentage of number of units, which equated to 28.25% of the floor space. This was with a tenure split of 20% intermediate / shared ownership units. This was below the Council's target of 35% of floor space for affordable housing. The results of the 2013 testing are set out in Table 6.1.

Table 6.1 Affordable Housing % by Phase – 2013 Assessment

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace
Phase 1	5%	4.3%
Phase 2	2%	1.71%
Phase 3	28%	24.91%
Phase 4	41%	37.22%
Phase 5	43%	39.16%
Phase 6	44%	40.13%
Phase 7	58%	54.09%
Blended affordable housing rate across whole scheme	31.6%	28.25%

Source: PBA

6.4 Updated results

- 6.4.1 As part of this report we have undertaken an update of the 2013 results. We have updated the build costs and residential sale values sections of our 2013 viability report to represent a May 2015 position on viability. In accordance with our instruction we have not re-assessed any costs and values to come to this updated position. We have subsequently undertaken a sensitivity test of this May 2015 position to forecast viability in five years time.
- 6.4.2 As set out Table 6.2 updating build costs and residential sale values has resulted in a reduced since our 2013 assessment. This is due to costs increasing at a faster rate than sale values. The scheme is now able to viably deliver 28.6% affordable housing as a percentage of the number of units or 25.48% of floor space.
- 6.4.3 The viability analysis shows that in May 2015 present day terms the early phases are particularly marginal. In particular Phase 2 which is marginally unviable with zero affordable housing. We have assumed that Phase 1 will cross subsidise the deficient. In reality the Council may wish to move some of the Section 106 contributions from Phase 2 to a much more viable phase to make Phase 2 more viable and reduce the viability elsewhere.

Table 6.2 Results of viability testing Scenario 1 – present day costs and values (May 2015)

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace	Scheme Surplus £per net Ha
Phase 1	1.00%	0.85%	£22,069
Phase 2	0.0%	0%	-£21,003
Phase 3	23.0%	20.31%	£7,029
Phase 4	37.0%	33.38%	£2,493
Phase 5	38.5%	34.82%	£9,184
Phase 6	39.0%	35.3%	£14,483
Phase 7	52.0%	48.03%	£13,335
Blended affordable housing rate across whole scheme	27.2%	24.19%	£47,592

Source: PBA

- 6.4.4 Table 6.3 shows that the results of the sensitivity testing of the May 2015 scenario. The sensitivity testing assumes a start on site in 2020 through forecasting costs and values in five year times. This results in viability reducing further. This is because forecast data is predicting that build costs over the next 5 years will increase at a quicker rate than sale values. As a consequence the results of this testing shows viability is set to reduce further meaning the scheme can viably provide 25% affordable housing as percentage of number of units, equating to 22% of floor space in five years. Again in this scenario Phase 2 is unviable with zero affordable housing, we have assumed that both Phase 1 and Phase 3 will need to help viable development of Phase 2. Although the Council may seek to re-phase some of the Section 106 Contributions to facilitate viable development of Phase 2 and reduce viability of a latter phase.

Table 6.3 Results of viability testing Scenario 2 – Future Costs & Values in 2020

Development Phase	Affordable Housing % of units	Affordable Housing % of floorspace	Scheme Surplus £per net Ha
Phase 1	0.0%	0%	£40,866
Phase 2	0.0%	0%	-£45,448
Phase 3	20.0%	17.58%	£12,913
Phase 4	34.5%	31.01%	£1,247
Phase 5	36.0%	32.43%	£2,422
Phase 6	36.5%	32.90%	£5,873
Phase 7	47.5%	43.56%	£4,298
Blended affordable housing rate across whole scheme	24.9%	22.08%	£22,173

Source: PBA

7 Summary & Recommendation

- 7.1.1 The results of the viability testing shows that early phases are less viable as a consequence of the additional investment required in infrastructure to deliver the scheme. As a consequence these phases have less capacity to deliver affordable housing.
- 7.1.2 As at May 2015 viability has decreased because costs have increased at a faster rate than sale values. The forecast data predicts that this trend is set to continue over the next 5 years as a consequence of a lack of capacity within the construction industry to meet demand.
- 7.1.3 We would recommend that the Council still maintains an overall 35% of floor space affordable housing target but acknowledge that earlier phases of development will not be able to meet this target. Nevertheless later phases of development are more viable once the investment in primary infrastructure is complete. If the Council wishes to see more affordable housing in earlier phases then the timing of Section 106 contributions needs re-profiling.
- 7.1.4 Although current forecast data does predict that build costs will increase at a faster rate than sale values but this forecast data does not take account of:
- Any price premium that may be achieved on the scheme once a critical mass has been achieved and it starts to establish its own market.
 - Change in market conditions over the anticipated 15 year delivery period which may result in build cost falling or increasing at a slower rate than sale values.
 - Unforeseen change in Government policies that may result in development being more viable.
- 7.1.5 Therefore, over the medium to longer term development of Ipswich Garden Suburb there may be a greater opportunity to capture more affordable housing than currently shown in our assessment.

Appendix A Viability Testing Results: 2013

Appendix B Viability Testing Results: Scenario 1 – Present Day Costs & Values (May 2015)

Appendix C Viability testing results: Scenario 2 – Future Costs & Values in 2020