

For: Scarborough Borough Council Viability Assumptions Review & Update

Final Report

May 2016 (partially reviewed
July 2016)

DSP16416

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Notes and Limitations

This has been a desk-top exercise based on information provided by the Scarborough Borough Council supplemented with information gathered by and assumptions made by Dixon Searle Partnership (DSP) appropriate to the current stage of review and to inform the Council's on-going work with regard to updating viability work previously carried out to inform affordable housing policies in the Borough as well as providing a review of assumptions within the Council's own work on Local Plan viability.

This assessment is not intended to prescribe land values or otherwise substitute for the usual considerations and discussions that will continue to be needed as particular developments having varying characteristics come forward. This is also true in respect of the long timescales over which the economy and development climate, national and more local influences and impacts are very likely to vary.

It should be noted that every scheme is different and no review of this nature can reflect the variances seen in site specific cases. Specific assumptions and values discussed in this document are unlikely to be appropriate for all developments and a degree of professional judgment is required.

The assumptions review is intended to consider previous work undertaken by Dixon Searle Partnership and provide a commentary on changes to market conditions and to local and National policies where those are known at the point of carrying out this review. It is to be noted that Dixon Searle Partnership have not carried out nor been involved in preparing the Council's Community Infrastructure Levy Viability evidence base. Dixon Searle Partnership have not carried out nor been involved in preparing the Council's Local Plan viability evidence base except in regard within this document by providing comments on the assumptions and methodology used by the Council.

It must be recognised that a planning-led basis for securing planning obligations relies on market-led processes. As a general point and so not just referring to the Scarborough Borough Council's progression of proposals here, we have to place an emphasis on the need for a practical approach to be taken by the Council, having due regard to development viability. By this we mean the Council being adaptable also to market housing scheme needs, being prepared to negotiate and consider varying solutions, and being responsive to varying scheme types and circumstances. The various components of a scheme will need to be

considered in terms of the level of need for market and affordable homes, their successful integration and tenure mixes. This will involve considering local needs, scheme location, type, design, management, affordability, dwelling mix, tenure, funding, numbers rounding and the like in formulating the detail from the targets basis – so, taking a view on how these things come together to impact and benefit schemes as part of the collective development requirements, by looking at what works best to optimise provision in the given circumstances.

The review of development viability is not an exact science. There can be no definite viability cut off point owing to variation in site specific circumstances. These include the land ownership situation. It is not appropriate to assume that because a development appears to produce some land value (or in some cases even value equivalent to an existing / alternative use), the land will change hands and the development proceed. This principle will in some cases extend to land owners expecting or requiring the land price to reach a higher level, perhaps even significantly above that related to an existing or alternative land use. This might be referred to as a premium, “overbid” or sufficient level of incentive to sell. In some specific cases, whilst weighing up overall planning objectives to be achieved, therefore, the proposals may need to be viewed alongside the owner’s enjoyment / use of the land, and a potential “overbid” relative to existing use value or perhaps to an alternative use that the site may be put to. In practice, whether and to what extent an active market exists for an existing or alternative use will be a key part of determining whether or how site discussions develop. Overall, land value expectations will need to be realistic and reflective of the opportunities offered by, and constraints associated with, particular sites and schemes in the given circumstances and at the relevant delivery timing; with planning policies being reflected amongst these factors. The planning requirements will be necessarily reflected in the land values that are ultimately supportable.

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of Dixon Searle Partnership (DSP); we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

To the extent that the document is based on information supplied by others, Dixon Searle Partnership accepts no liability for any loss or damage suffered by the client or others who choose rely on it.

In no way does this study provide formal valuation advice; it provides an overview not intended for other purposes nor to over-ride particular site considerations as the Council's policies continue to be applied practically from case to case.

1. Introduction

1.1 Background to the Viability Update

1.1.1 Scarborough Borough Council is currently in the process of preparing its Local Plan (Scarborough Borough Local Plan) to guide future development in the area and manage development to 2032.

1.1.2 Prior to the decision taken by the Council to begin work preparing the new Local Plan, SBC had been committed to producing a different set of Development Plan Documents (DPD) under the Local Development Framework with a Core Strategy, and Housing Allocations DPDs produced. As part of that process, in 2011, SBC commissioned a report by Dixon Searle Partnership (DSP) inform the Council's development of its affordable housing policies. This report (Affordable Housing Economic Viability Assessment (AHEVA)) was published in November 2011 and was undertaken alongside (but separately from) a Strategic Housing Market assessment (SHMA)¹.

1.1.3 The AHEVA provided options for the Council to consider, among which was the following:

Figure1: AHEVA (2011) Affordable Housing Options

Affordable Housing Threshold (net new dwellings)	Housing market area and guides for potential approach(es) & recommended scope for policy targets (on-site affordable housing or potential financial contribution)		
	Scarborough	Filey / Hunmanby / Southern Parishes	Whitby / Northern / Western Parishes
15+	No more than 20%	20% to 30%	30% to 40%
10-14	No more than 20%	20%	30%
5-9	Potential financial contribution		20% on-site or Potential financial contribution
1-4	Potential financial contribution		

¹ Produced by others

1.1.4 From that work, the Council have now included the following policy within the new draft Local Plan:

Figure 2: Scarborough Borough Council Proposed Affordable Housing Policies

Policy 1

Policy HC 3 Affordable Housing

In order to meet the needs of people who are not able to access the general housing market, the provision of affordable housing will be expected in all types of residential development with the exception of uses within Use Class Order C2 and homes provided by almshouse charities. The location, layout and design of affordable housing within any scheme should create an inclusive development.

The level and type of affordable housing required in residential developments is as follows:

Affordable Housing (On-Site Contributions)			
No of Dwellings	Housing Market Areas		
	Scarborough	Filey, Hunmanby and Southern Parishes	Whitby, Northern and Western Parishes
15 and over	20%	30%	40%
10-14	20%	20%	30%
5-9	Financial Contribution		20%
1-4	Financial Contribution		

Table 4.1

Where a financial contribution is required, the contribution will be calculated in line with the relevant Supplementary Planning Document.

Where on-site affordable housing is required, a minimum of 70% of the affordable housing units should be social rented and a minimum of 50% of the rented should be social rented, unless the Local Planning Authority is satisfied that an alternative mix meets proven local need.

Where it is demonstrated to the local planning authority's satisfaction through an independent assessment of viability that on-site provision in accordance with the above requirements would render the overall scheme unviable, a reduced level of on-site provision or a financial contribution towards off-site provision may be acceptable.

Proposals for housing will not be permitted where the scale of the development (in terms of site area and/ or number of units) is manipulated to fall below the threshold requiring provision of on-site affordable housing.

1.1.5 Since the preparation and publication of the AHEVA, there have been considerable changes to key inputs. These include effects from market conditions (in particular, build costs) and associated with national policy changes that warrant revisiting the

previous assessment work on a similar appropriate high-level basis - so as to keep the information as topical as is practically possible.

1.1.6 The AHEVA dealt only with the viability of affordable housing and as such, the Council has subsequently begun work, in-house, on providing viability evidence to support the Local Plan as a whole. At the request of the Council, DSP also provided, separately, a review of the assumptions and methodology used by Scarborough Borough Council in producing their own Local Plan Viability Study and provided advice on the reasonableness of those.

1.1.7 In addition, viability work has also been undertaken by others to help inform Council's decision making process on the implementation of a Community Infrastructure Levy. Although we have had regard to that information, this update does not review or update any of the CIL work carried out to date.

1.2 Policy & Guidance (including changes to policy)

1.2.1 This viability assumptions review report has been produced in the context of and with regard to the NPPF, CIL Regulations, CIL Guidance and other Guidance applicable to studies of this nature. This study has also had regard to the Planning Practice Guidance ('PPG' – the online resource for national planning guidance and now incorporating the previously separate CIL guidance) and the outcomes from the government's Housing Standards Review.

1.2.2 The NPPF was published in final form in March 2012 and supersedes previous Planning Policy Statements (PPSs). The NPPF sets out the overall approach to the preparation of Local Plans. It states that planning authorities should seek opportunities to achieve each of the economic, social and environmental dimensions of sustainable development, with net gains across all three. Significant adverse impacts on any of these dimensions should be avoided and, wherever possible, alternative options that reduce or eliminate such impacts should be pursued. The NPPF also states that Local Plans should be aspirational but realistic - that is, to balance aspirational objectives with realistic and deliverable policies.

1.2.3 The NPPF provides specific guidance on ensuring Local Plan viability and deliverability. In particular, paragraphs 173-174 state:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable'.

'Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle'.

- 1.2.4 Having regard to this guidance the Council needs to ensure that the Local Plan, in delivering the overall policy requirements including on affordable housing, can address the requirements of the NPPF.
- 1.2.5 Further guidance is set out in the PPG which re-iterates these messages where it says *'Plan makers should consider the range of costs on development. This can include costs imposed through national and local standards, local policies and the Community Infrastructure Levy, as well as a realistic understanding of the likely cost of Section 106 planning obligations and Section 278 agreements for highways works. Their cumulative cost should not cause development types or strategic sites to be unviable. Emerging policy requirements may need to be adjusted to ensure that the plan is able to deliver sustainable development'.*
- 1.2.6 Relevant information is also contained in the publication 'Viability Testing Local Plans – Advice for planning practitioners' published in June 2012 by the Local Housing Delivery Group chaired by Sir John Harman (known as the 'Harman' report). That sets out a stepped approach as to how best to build viability and deliverability into the plan preparation process and offers guidance on how to assess the cumulative impact

of policies within the Local Plan, requirements of SPDs and national policy. It provides useful practical advice on viability in plan-making and its contents should be taken into account in the plan-making process.

- 1.2.7 Following consultation on the Housing Standards Review (August 2013), on 27th March 2015 in a written Ministerial Statement the Government formally announced a new approach to the setting of Technical Housing Standards in England. This has been accompanied by a new set of streamlined standards. The DCLG statement said: *'From the date the Deregulation Bill 2015 is given Royal Assent, local planning authorities and qualifying bodies preparing neighbourhood plans should not set in their emerging Local Plans, neighbourhood plans, or supplementary planning documents, any additional local technical standards or requirements relating to the construction, internal layout or performance of new dwellings. This includes any policy requiring any level of the Code for Sustainable Homes to be achieved by new development; the government has now withdrawn the code... For the specific issue of energy performance, local planning authorities will continue to be able to set and apply policies in their Local Plans which require compliance with energy performance standards that exceed the energy requirements of Building Regulations until commencement of amendments to the Planning and Energy Act 2008 in the Deregulation Bill 2015. This is expected to happen alongside the introduction of zero carbon homes policy in late 2016. The government has stated that, from then, the energy performance requirements in Building Regulations will be set at a level equivalent to the (outgoing) Code for Sustainable Homes Level 4. Until the amendment is commenced, we would expect local planning authorities to take this statement of the government's intention into account in applying existing policies and not set conditions with requirements above a Code level 4 equivalent'*.
- 1.2.8 The new approach introduces optional Building Regulations requirements for access (volumes 1 and 2) and water efficiency, which provide for a higher standard than the minimum national Building Regulations. A nationally described space standard has also been introduced which can be implemented through the planning system.
- 1.2.9 In addition, a new security standard has now been included in the Building Regulations (Part Q).
- 1.2.10 The review also clarified statutory Building Regulations guidance on waste storage - to ensure that is properly considered in new housing development.

1.2.11 The effectively optional regulations and space standards may only be applied where there is a local plan policy, based on evidenced local need for them; and where the viability of development is not unduly compromised as a result of their application.

1.2.12 At the point of carrying out the AHEVA for the Council, the Technical Housing Standards had not been introduced. However, as far as we are aware, none of the optional standards are being carried forward into the new Local Plan. If any of those standards are to be incorporated into the new Local Plan, the Council would need to provide the evidence of need as well as the evidence that it is viable to introduce such policies.

1.2.13 As further background, in November 2014, following a Ministerial Statement, the Government revised national policy on s.106 thresholds as follows:

- *'contributions should not be sought from developments of 10-units or less, and which have a maximum combined gross floorspace of no more than 1000sqm (gross internal area).*
- *In designated rural areas, local planning authorities may choose to apply a lower threshold of 5-units or less. No affordable housing or tariff-style contributions should then be sought from these developments. In addition, in a rural area where the lower 5-unit or less threshold is applied, affordable housing and tariff style contributions should be sought from developments of between 6 and 10-units in the form of cash payments which are commuted until after completion of units within the development. This applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty.*
- *Affordable housing and tariff-style contributions should not be sought from any development consisting only of the construction of a residential annex or extension to an existing home.*
- *Additionally local planning authorities should not seek section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure pots, from developments of Starter Homes. Local planning authorities will still be able to seek other section 106 contributions to mitigate*

the impact of development to make it acceptable in planning terms, including addressing any necessary infrastructure’.

- 1.2.14 The national policy changes also included a ‘vacant building credit’. This intended to incentivise the use of brownfield (previously developed) land, by reducing the affordable housing through a credit based on the floor area of any existing vacant buildings.
- 1.2.15 The introduction of these policies via the Written Ministerial Statement (WMS) and subsequent changes to the PPG were subject to legal challenge by West Berkshire Council and Reading Borough Council. The legal challenge was successful and those policies were quashed as of August 2015. This led to the re-introduction of lower affordable housing thresholds (where viable to do so) or allowed planning authorities to continue to adopt lower thresholds through the Local Plan process.
- 1.2.16 The Government appealed the decision² and during the course of this work, in May 2016, the Court of Appeal overturned that decision so that the s106 and affordable housing threshold based on a national minimum development size were re-introduced.
- 1.2.17 As a consequence, the Council reluctantly decided to amend its policy position and will no longer be seeking affordable housing contributions from residential developments of 10 units (or less) which have a maximum combined gross floorspace area of 1000 sq. m, in line with Paragraph 31 of the Planning Obligations section of the national Planning Practice Guidance (PPG).
- 1.2.18 The NPPF at paragraph 50 also states on affordable housing (in respect of local authorities’ approaches):

‘where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.’

² Appeal case has been heard and is awaiting judgment at the time of writing.

1.2.19 Within the Glossary of the NPPF, the Government defines affordable housing as follows:

***'Affordable housing:** Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision'.*

***'Social rented** housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency'.*

***'Affordable rented** housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)'.*

***'Intermediate housing** is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing'.*

'Homes that do not meet the above definition of affordable housing, such as "low cost market" housing, may not be considered as affordable housing for planning purposes.'

1.2.20 The evolving area of housing mix is wide-ranging. At the point of starting this review the Housing and Planning Bill was going through Parliament. Towards the end of the

review period, the Bill received Royal Assent and is now an Act of Parliament. The Planning & Housing Bill includes a new, broader definition of affordable housing inserted into the Town & Country Planning Act 1990. The new definition defines affordable housing as being for people whose needs are not adequately served by the commercial housing market and now includes Starter Homes (as defined by the Act). At this stage the mechanism for introducing the revised definition is reserved for secondary legislation and as such not yet formally in place. Currently the definition of affordable housing as set out above and as contained within Annex 2 to the NPPF continues to be the primary source of the definition.

1.2.21 In addition to the above, the Act introduces the requirement for Local Authorities to plan for Starter Homes on sites over a certain threshold and for a certain proportion to be met on those sites.

1.2.22 Starter Homes are defined by the Act as:

“starter home” means a building or part of a building that—
(a) is a new dwelling,
(b) is available for purchase by qualifying first-time buyers only,
(c) is to be sold at a discount of at least 20% of the market value,
(d) is to be sold for less than the price cap, and
(e) is subject to any restrictions on sale or letting specified in regulations made by the Secretary of State”³

1.2.23 Starter Homes will be available for first time buyers between the ages of 23 and 40 and capped at £450,000 in Greater London and £250,000 across the rest of England (this represents the discounted value). Although the detail of Starter Homes is set to be clarified through secondary legislation later in 2016, the Government’s consultation on Starter Homes (Starter Homes Technical Regulations) indicated that the threshold would likely be 10+ units and that 20% would represent the minimum proportion.

1.2.24 As further detail develops, for example through secondary legislation, other national policy moves to encourage or secure the provision of various forms of housing may need to be considered. The Starter Homes initiative (for example) together with

³ Housing & Planning Act 2016

specialist housing (e.g. for the elderly and regarding accessibility) and custom-build may be other aspects of overall housing provision to consider as proposals develop.

1.2.25 In addition, the Chancellor announced in his Budget speech in 2015 that affordable housing providers will have to cut social housing rents by 1 per cent each year for the next four years from April 2016; a reversal of the rental formula which currently allows RPs to raise rents in line with the consumer prices index (CPI) plus 1 per cent. As part of this viability update, we have also reviewed the impact of reduced rents on affordable housing values (i.e. the assumed value of the affordable homes using unit to a developer).

1.2.26 In carrying out this update and due to the introduction of the Housing & Planning Act during the course of reporting this work, the Council asked DSP to include modelling of Starter Homes assuming that Starter Homes would be required to form the first 20% of any affordable housing on residential development sites in order to test the impact of that on affordable housing viability.

1.3 Aims & Outputs

1.3.1 DSP has been commissioned to provide an overview and review of the assumptions that were used to develop the previous AHEVA (2011) and comment on those areas where assumptions had changed and provide recommendations on the likely impact of those changes. This provides information that will assist the Council through the following:

- Identify key national policy changes introduced since the previous viability assessment and identify to what extent those changes would have either a negative or positive effect on viability (relative to the earlier stage findings);
- Review and update the technical information in the viability studies, including values, development and build costs and run appropriate sensitivity testing based on updated inputs;
- Review recommendations - so as to validate or otherwise the continued use of the earlier findings regarding affordable housing proportions and thresholds.

- 1.3.2 This review discusses the same principles as set out in the previous viability work for the Council and as such this report does not repeat the detail set out in those earlier reports. This report should therefore be read in the context of the existing viability assessment.
- 1.3.3 The emphasis here is to provide a commentary on the potential impact of changes to local and national policies on the viability of delivering affordable housing through the s106 process in Scarborough Borough.

2 Assumptions Review

2.1 Introduction & Brief Methodology

- 2.1.1 This document provides advice on the relative difference in assumptions between the date of the AHEVA 2011 and the current time and is also being used to aid the Council in the development of their own work on the viability of the Local Plan. As such this document should be read in the context of both previous work undertaken by DSP and that currently undertaken by Scarborough Borough Council.
- 2.1.2 Put simply, a viable development can be defined as *‘the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project’⁴.*
- 2.1.3 The basis for this viability review is to comment on the likely *relative* impact of any changes to market conditions, development costs and policy (local and national) cost impacts.
- 2.1.4 The following section briefly sets out the policies that are considered to be impacted by changes at a national level and thus potentially affect the proposed affordable housing approach. This is then followed by our commentary on the likely impact of those changes on the viability of affordable housing policies and any potential changes to policy that should be made to ensure, as far as is possible, that viable development continues to come forward across the Borough .
- 2.1.5 Advice has been provided separately in relation to providing a commentary on the assumptions and methodology used within the Council’s own draft Local Plan viability work.
- 2.1.6 Appendix I summarises the assumptions used in the existing viability assessment and identifies the key changes at this time. Appendix II includes an outline of the updated market / house prices research that has informed the discussion on assumptions.

⁴ Financial Viability in Planning – RICS Guidance note (August 2012)

2.2 Scarborough Borough Council – Impact of Changes to National Policy

Energy & Water

- 2.2.1 As far as we are aware, the Council does not intend to prescribe any policies on energy and water beyond those mandatorily required by the Building Regulations. As a result of the Housing Standards Review, the Council needs to ensure any reference to achievement of the Code for Sustainable Homes is removed from policy, and ensure that any specific policy in regard of water consumption is set at no more than 110 litres/person/day. The previous assessment included an allowance for attainment of Code for Sustainable Homes Level 3 (sensitivity tested at CfSH Level4) based on the Code for Sustainable Homes: A Cost Review (March 2010) cost data⁵. All appraisals assumed a cost uplift of 5%.
- 2.2.2 We have assumed that Sustainable Design / Construction Standards costs have reduced from those utilized in the existing evidence base due to the Government's withdrawal of the Code for Sustainable Homes (as discussed above). Data taken from the DCLG Housing Standards Review Impact Assessment⁶ (average £ per unit E/O cost) for meeting the energy requirements for Code for Sustainable Homes Level 4 would now be used as a proxy for building regulations compliance - average cost of £1,932 per unit, equating to approximately 2% of build costs on average.
- 2.2.3 No allowance was made within the original assessment to cover any local policy on water consumption other than that included within the Code for Sustainable Homes. As we understand it, the Council does not intend to introduce any specific policy on water consumption over and above Building Regulations compliance. No other sensitivity testing has been carried out in relation to higher levels of the CfSH or zero carbon as a result of the Government announcement to delay the introduction of national zero carbon policy and the scrapping of the allowable solutions element of national policy.
- 2.2.4 There is therefore an overall cost reduction through for energy compliance costs compared to the AHEVA 2011.

⁵ DCLG – Code for Sustainable Homes – A Cost Review (March 2010)

⁶ DCLG – Housing Standards Review – Costs Impact (September 2014)

Nationally Described Space Standards

- 2.2.5 The Government's Technical Housing Standards have introduced national space standards for C3 housing which can be used in a Local Plan policy if there is sufficient evidence of need and viability.
- 2.2.6 As we understand it, the Council does not intend to introduce the Nationally Described Space Standards and as such the unit sizes tested reflect the previous work undertaken.

Access to and use of Buildings

- 2.2.7 The Government's Housing Standards Review has also resulted in changes being made with reference to Lifetime Homes and the Wheelchair Housing Design Standard. Accessibility is now incorporated into Part M of Building Regulations⁷, applied by Local Planning Authorities as conditions and checked for implementation through the Building Control process.
- 2.2.8 Again, as with residential space standards, there needs to be evidence for both need and viability. Within the Council's existing evidence base, an allowance was included within the viability appraisals to account of the need to require a proportion of new dwellings to meet Lifetime Homes standards. Data was taken from sources at the time indicating an average extra over cost of complying with LTH to be £545 per unit. Again as far as we are aware, the Council does not intend to include policies on the optional standards and as such no additional costs have been allowed. This leads to a marginal reduction in costs compared to the AHEVA 2011 study.

Starter Homes & Custom Build

- 2.2.9 Related to the type of PDL sites on which the starter homes initiative (as set out in the PPG as opposed to starter Homes introduced via the Housing & Planning Act) is envisaged to be focused, DSP's view is that land values should be reflective of the site characteristics, development type and mix - as in all other cases. Developments specifically aimed at this model would not be providing an affordable housing quota, s.106 or CIL funded infrastructure and in our view based on 80% market sale values is, at the very least, likely to be no less viable on such a site than a combination of full market and regular affordable housing in the sense that has been required to date.

⁷ Approved Document M of Schedule 1 of the Building Regulations – (Access to and use of Buildings)

2.2.10 Following the introduction of the Housing & Planning Act during the course of this work, we have carried out further modelling on the potential impact of Starter Homes on scheme viability and provide our analysis of that.

2.3.14 From DSP's experience of considering custom/self-build to date (albeit limited to early stages exploratory work on viability) we consider that the provision of plots for custom-build has the potential to be a sufficiently profitable activity so as not to prove a significant drag on overall site viability. Broadly, from review work undertaken so far we would expect it to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details – as with other aspects of the development process.

2.4 Other Updated Assumptions

2.4.1 In addition to the above, DSP has also considered changes to property values, build costs, any other development costs and affordable housing revenue. Appendix II provides the detail of the property market reporting.

Values - Land & Property – Property Market Reporting & Build Costs

2.4.2 Comprehensive property data reporting and analyses are contained within Appendix II to this document and so will not be repeated in detail here. We have reviewed a number of sources of information that in summary indicate that property prices have remained relatively static over the period between the research for the existing viability assessment and the research for this viability review. The existing viability assessment was published in November 2011. For the purposes of this analysis we have reviewed the typical value level associated with the market areas used in the affordable housing policy based on the previous viability assessment work – these are Value Levels 2, 3 and 4 - £1,800/m² (Scarborough), £2,150/m² (Filey, Hunmanby and Southern Parishes) and £2,450/m² (Whitby, and Northern & Western Parishes) respectively. Referring back to the range of data sources used, Land Registry data for North Yorkshire as a whole suggests a slight rise in prices, data for new build schemes, Zoopla and other sources suggest that there has been little movement in values overall.

2.4.3 Whilst the revisited market research shows, at a borough-wide level, little change in values overall, in the course of this latest review we have also found indications of new-build housing being marketed at higher prices than those noted at 2.4.2 above.

It feels too early to report this confidently as a widely applicable indication that higher values will be consistently achieved, at least in the very short term, however we consider that there are some emerging signs that at least some new build schemes will be able to command increasing sales values. At the current time, the local experience is that development activity has picked up in recent years, which seems consistent with the possibility that amongst the mix of outcomes, viability will in practice be sufficient to at least underpin the progression of a range of developments. In the context of the long term view and varying economic circumstances likely to be relevant through that, we consider this to be an interesting emerging observation that might be considered alongside the need to continue to seek to support affordable housing requirements using a practical, flexible approach – with needs balanced with particular viability scenarios. In the usual way, SBC should continue to monitor trends. In terms of the values used in this update, we have therefore applied a modest uplift as indicated by the Land Registry data of 7.1% to Value Levels 2, 3 and 4 previously used – this will build in some of the new build premium that appears to exist locally. This takes those values to £1,928/m², £2,249/m² and £2,570/m² for Value Levels 2, 3 and 4 respectively.

- 2.4.4 Land value benchmarks are based on a combination of earlier assessment work and benchmarks provided by the Council following analysis of comparable data collected more recently. The assumptions used in the Council's appraisals are £300,000/ha for Scarborough; £400,000/ha for Filey, Hunmanby and Southern Parishes and £600,000/ha for Whitby, and Northern & Western Parishes. These are assumptions which are in practice one element of a set of figures that will inevitably vary through different circumstances but appear reasonable at this time based on the evidence provided by the Council.
- 2.4.5 Over the same period, build costs have also increased significantly across the area. Again Appendices I and II provide the detail but in summary the RICS Building Cost Information Service data (BCIS) indicates that build costs have increased by approximately 28% on average across the Borough. This has a significant impact on the viability of schemes and is probably the single largest factor affecting viability in terms of the difference between the AHEVA 2011 and current market conditions. In many areas of the Country we see the increase in build costs compensated to a large degree by substantial increases in property prices. This reduces the impact of the build cost rises when looking comparatively between an older study and a newer

update. In this case however, we have seen, as described above, sales values and property prices generally remaining relatively static over the past 5 years.

- 2.4.6 To put the build cost inflation into context, in 2011, median build costs for estate housing (generally), taken from BCIS data, was £761/m² before external works, contingencies and fees. The current data indicates build costs of £993/m². This is a 30% increase. For flats (generally) the change is also 30% (£900/m² to £1,166/m²). The difference to the build cost in real terms on a notional scheme of 25 units⁸ is to take the overall build cost from approximately £1,612,140 to £2,100,750 – an increase of nearly £500,000 before any allowance for external works, contingencies and fees all of which are a product of the higher build cost and therefore increase proportionally even if in percentage terms the assumptions remain unaltered.
- 2.4.7 Assuming a gross development value (GDV) of, say, £2,400/m² (equivalent to Whitby and Western Parishes) for the same notional scheme⁷, the increase in build cost is equivalent to approximately 10% of gross development value – higher in the lower value areas of Scarborough (approximately 13.5% of GDV) and Filey, Hunmanby and the Southern Parishes (approximately 11.5% of GDV).
- 2.4.13 In addition to an inflationary rise in build costs over the period between the studies, the RICS (on behalf of the Federation of Small Businesses) has recently published a report on the additional cost of construction for small sites⁹. This suggests that the costs of construction for houses is higher on sites of 10 dwellings or fewer than for those of more than 10 dwellings with the actual cost increases varying by project size and type of unit (and with flatted development on small schemes having a lower cost than larger schemes). Although the detail of the report is yet to be considered in depth and a number of commentators have pointed out that there are a number of factors that benefit smaller developments (in terms of development viability), to reflect the variable nature of the findings of the report additional allowances on the build costs would now need to be considered – exacerbating the impact of the build cost rises on the smallest schemes. During the course of this study it was announced that the Government had been successful in its Appeal against the quashing of the national minimum thresholds applied through Written Ministerial Statement in November 2014. The Appeal success means that affordable housing contributions are now not being sought by Scarborough Borough Council on schemes of 10 or fewer

⁸ Assuming a notional mix of 5 x 1 Bed Flats; 3 x 2 Bed Flats; 4 x 2 Bed Houses; 10 x 3 Bed Houses; 3 x 4 Bed Houses as per the AHEVA 2011

⁹ BCIS (for Federation of Small Business) – Housing Development: the economics of small sites – the effect of project size on the cost of housing construction (August 2015)

dwellings and as such work undertaken by DSP in testing site typologies below that threshold no longer apply.

Affordable Housing

- 2.4.14 Effectively the value of the affordable housing is based on the capitalised value of the net rental stream (affordable rent) or capitalised net rental stream and capital value of retained equity (in the case of low cost/affordable home ownership – i.e. typically shared ownership). We have reviewed the likely payment that could be made for affordable housing units of varying type and tenure for comparison with the previously used assumptions. For Scarborough, up to 80% of market rent has been assumed, using as a proxy the Local Housing Allowance (LHA) from the Scarborough Broad Rental Market Area (BRMA). It was (and has been again) assumed that the intermediate tenure would be in the form of shared ownership.
- 2.4.15 As discussed above, affordable housing providers will have to cut social housing rents by 1 per cent each year for the next four years from April 2016. Work undertaken on behalf of DSP into the potential impact of rent reductions on affordable rented transfer values (reflecting payments for the affordable homes to a developer from a Registered Provider) suggests that the impact on the revenue that could be generated from rented affordable housing could be in the region of 10% - i.e. a reduction in the amount an RP could pay for rented affordable housing.
- 2.4.16 The overall impact of a reduction in affordable housing revenue is to lower the overall gross development value of a scheme. Again, this is likely to lead to reduced viability outcomes when compared, on a like for like basis, with the AHEVA 2011.
- 2.4.17 As requested by the Council part way through this process, following the introduction of Starter Homes through the Housing & Planning Act 2016, we have tested the introduction of 20% Starter Homes on a sample scheme (25). We have assumed that the Starter Homes will be delivered alongside the market housing and will bear the same risk as market housing (in terms of profit and cashflow / sales timings). We have assumed that they are sold at 80% of the market value of an equivalent unit up to a total discounted value cap of £250,000 (£312,500 before the 20% discount is applied).
- 2.4.18 Where the appraisals have assumed a financial contributions approach to affordable housing (rather than provision on-site), a mechanism has been adopted to calculate a

reasonable contribution. Following advice provided by Dixon Searle Partnership as part of the AHEVA 2011, the Council has introduced, via an Affordable Housing SPD (November 2015), a requirement for all developments on 1-4 units in all areas and of 5-9 units in Scarborough, Filey, Hunmanby and the Southern Parishes to provide a financial contribution of £50/m² for Scarborough and £75/m² elsewhere in the Borough. This figure is applied to the net gain of floorspace in a development. Again however, the re-introduction of the national minimum affordable housing threshold has rendered these results obsolete and as such they are not included within the appendices to this study nor the discussion / analysis that follows.

Planning Obligations

2.4.19 Planning obligations within the AHEVA 2011 were tested at a base level of £67/m² with sensitivity testing carried out at £33/m² and £100/m². The rationale behind this at the time was to reflect the fact that the Council may wish to introduce a Community Infrastructure Levy at some point in the future. At the point of carrying out this review, CIL is still not in place and currently the Council requires planning obligations in relation mainly to open space and education. The Council's Education and Green Space SPDs set out the financial contributions or on-site provision required for each. In summary, a financial contribution of approximately £668/resident (average between rural / urban sites and assuming one resident per bed space) is required for open space. Primary education contributions are required from sites of 15 units or more (villages) and 25 units or more (towns) and secondary education contributions are required on sites of 150 units or more. The primary education payment required is £13,596 per pupil and assumes that development generates a need for 0.25 pupils per new dwelling. For secondary education contributions the sum is £20,293 per pupil assuming 0.125 pupils per dwelling.

2.4.20 For context, this would lead to total contributions on a notional 25 unit scheme of approximately £84,975 for primary education and £40,748¹⁰ for open space – a total of £125,723. This compares to the AHEVA 2011 approach at £67/m² of approximately £137,015 – not dissimilar outcomes.

Other Associated Assumptions

2.4.21 Appendix I sets out the other assumptions and shows a comparison between the AHEVA 2011 and assumptions that would be considered appropriate currently taking

¹⁰ Assuming a notional mix of 5 x 1 Bed Flats; 3 x 2 Bed Flats; 4 x 2 Bed Houses; 10 x 3 Bed Houses; 3 x 4 Bed Houses as per the AHEVA 2011

into account changes in property market conditions, build cost inflation, national and local standards etc.

3 Impact of Changes to Assumptions & Recommendation

- 3.1.1 The results in Appendix II both compare the data with the previous results for the same scheme type and provide results against the new land value benchmarks provided by the Council. Sensitivity testing has been carried out reviewing both lower quartile BCIS build costs and a developer's profit at both 17.5% and 20% of gross development value. Across each Housing Market Area, modelling has been carried out with 0% and 20% affordable housing and, where potentially viable to do so, with 30% affordable housing, 20% Starter Homes and 20% Starter Homes plus either 10% or 20% 'traditional affordable housing (i.e. NPPF compliant and in line with current SBC policy).
- 3.1.2 Taking into account all of the various changes in revenue, costs and policy assumptions overall there is a significant upward pressure on viability in the Scarborough context, particularly coming from the rise that has been seen in build costs (noting that not to be just a local effect). In terms of Local Plan viability evidence and the associated consideration of assumptions, the net effect on viability of the cumulative impact of changes in market conditions, development costs and national and local policies is considered to be negative overall, relative to the picture previously reported by DSP. This therefore indicates that if the previously recommended affordable housing policies are maintained, alongside other planning obligations requirements and assuming the increase in build costs is seen across the Borough viability would appear to be worse than at the base review stage (assuming median BCIS build costs and 20% developers profit). Appendix II sets out the results of the high level modelling carried out to inform this update.
- 3.1.3 We are however aware that the Council, through information provided on its monitoring of sites coming forward with affordable housing provided through a s106, is securing a relatively significant level of affordable housing from market housing sites.
- 3.1.4 Looking only at those sites providing market housing with an element of affordable housing secured through a s106 agreement, the Council's information indicates affordable housing secured between 15% and 30% over three completed schemes over the past few years. The data also provides information for extant schemes, where affordable housing has been agreed but yet to be delivered. This indicates a

range of between 30% and 40% affordable housing (although we note that at least one of those schemes was subject to a S106 BA application (subsequently refused) and that delivery has not yet occurred on those sites.

- 3.1.5 From a policy perspective, the Council's wider influence on viability is limited. There appears little scope to reduce other policy costs (noting that Scarborough Borough Council is not intending to adopt any of the optional Building Regulations standards or other optional National standards) other than potentially in respect of education and open space obligations (subject to the balance with infrastructure needs). This then suggests that proportions as suitable and more regularly achievable policy positions, the Council may need to consider reducing the requirement for affordable housing across the Borough relative to the currently submitted position - to improve the viability prospects of development generally whilst also allowing scope for any further upward pressure on land values and / or build or other costs to be absorbed whilst maintaining viability, in a strategic overview sense.
- 3.1.6 The relative decrease expected to be seen in viability assessment outcomes, primarily caused by increases in build and associated costs over the past 5 years suggests, in our view, means that consideration should be given to reducing the NPPF definition of affordable housing proportion (%) requirement across the Borough. We originally recommended to the Council that in the context of the national policy direction, the additional increase in build costs identified by the BCIS report on behalf of the Federation of Small Businesses on top of significant general build costs increases generally suggested that in the case of Scarborough Borough as a whole, the affordable housing threshold should possibly be raised to, say, 10 units. The use of specific thresholds is always arbitrary to some extent, but as per the existing sliding scale that has been in operation, the principles of a different approach for the smallest sites respects both the viability considerations and the practicalities of successfully integrating affordable housing.
- 3.1.7 New Government policy has however re-introduced national minimum affordable housing thresholds and as such no affordable housing will be sought from sites of 10 or fewer dwellings or 1,000m² or less.
- 3.1.8 For schemes of 11+ units or more we would suggest that consideration should be given to reducing the NPPF definition of affordable housing targets. However, the

introduction of Starter Homes on residential development sites is likely to have a positive impact on scheme viability.

3.1.9 Taking the results of our modelling, the wider market and importantly, the information provided by way of local delivery experience, for the Scarborough Housing Market Area, the Council may well need to consider either lowering the affordable housing proportion (traditional affordable housing) or replace the current target with a requirement for Starter Homes meeting the definition within the Housing & Planning Act 2016.

3.1.10 For the Filey, Hunmanby and Southern Parishes Housing Market Area, the results broadly suggest again that the Council may need to consider lowering the affordable housing proportion or replace traditional affordable housing with a 20% requirement for Starter Homes alongside a relatively small proportion of traditional affordable housing, in our view no more than 10% at this stage.

3.1.11 For the Whitby, Northern and Western Housing Market Area, again taking into account the results of this update as well as on the ground securing of affordable housing locally, we would recommend again reducing the overall target through requiring either 30% traditional affordable housing or a combination that includes 20% Starter Homes alongside 20% traditional affordable housing

3.1.12 Overall therefore the Council may wish to consider the following options:

AH Threshold	Housing Market Area		
	Scarborough	Filey / Hunmanby / Southern Parishes	Whitby / Northern / Western Parishes
11+	Up to 10% AH ¹¹	Up to 15% AH ¹¹	Up to 30% AH ¹¹

AH Threshold	Housing Market Area		
	Scarborough	Filey / Hunmanby / Southern Parishes	Whitby / Northern / Western Parishes
11+	Up to 20% Starter Homes	Up to 20% Starter Homes / 10% AH	20% Starter Homes / 20% AH

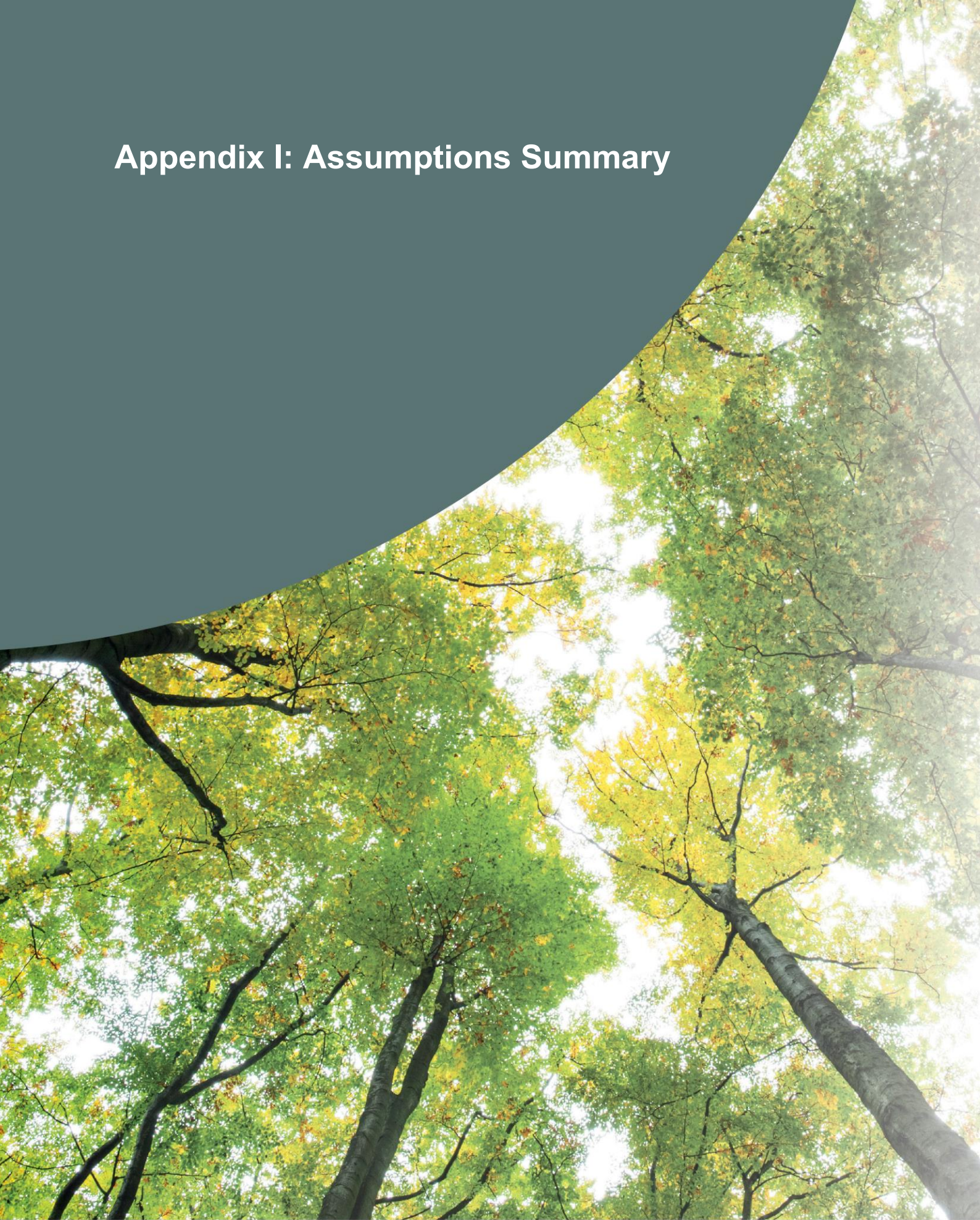
3.1.13 Of course, it has to be reiterated here that this is a high level review of assumptions and although across the Borough it appears at the current time that costs have risen sharply whilst values have remained relatively static, as above there are signs, as reported to us in discussion with the Council, that development is beginning to

¹¹ NPPF 2012 compliant affordable housing.

accelerate in the Borough compared to the level of activity at the time that the AHEVA was carried out. It is therefore possible that property prices will be seen to pick up more notably and consequently improve the viability scenarios to varying degrees. Reinforcing the above, Local Plan policies cover a long time period that is likely to include several market cycles and therefore in any event we recommend that affordable housing policies and viability generally is kept under regular review.

**Assumptions Review Ends
Final Report Version – July 2016**

Appendix I: Assumptions Summary



Appendix I - Scarborough Borough Council - Viability Assumptions Update

Unit Sizes (sq. m)*	Affordable	Private (market)
1-bed flat	50	45
2-bed flat	67	60
2-bed house	75	75
3-bed house	85	95
4-bed house	110	125

Location / Value	Scarborough (VL2)	Filey, Hunmanby and Southern Parishes (VL3)	Whitby, Northern and Western Parishes (VL4)
1 Bed Flat	£86,751	£101,210	£115,668
2 Bed Flat	£115,668	£134,946	£154,224
2 Bed House	£144,585	£168,683	£192,780
3 Bed House	£183,141	£213,665	£244,188
4 Bed House	£240,975	£281,138	£321,300
Value House (£/m2)	£1,928	£2,249	£2,570

Affordable Housing Revenue Assumptions

Unit	LHA (Average) Cap
1BF	£81
2BF	£104
2BH	£104
3BH	£125
4BH	£137

Unit	Market Size	AH Transfer Price (LHA Cap)	AH Transfer Price less 10%	% of OMV (Scarborough)	% of OMV (Filey etc)	% of OMV (Whitby etc)
1BF	45	£57,094	£51,904	60%	51%	45%
2BF	67	£73,401	£66,728	52%	44%	39%
2BH	75	£73,401	£66,728	46%	40%	35%
3BH	95	£88,433	£80,394	44%	38%	33%
4BH	125	£97,052	£88,229	37%	31%	27%

Based on Scarborough BRMA LHA rates (Rental Proxy)

Starter Homes based on 80% of market value for the equivalent unit capped at £250,000 discounted rate.

Development / Policy Costs	SBC 2011	SBC 2016	Comments
RESIDENTIAL BUILDING, MARKETING & S106 COSTS			
Build Costs Flats (Generally) (£/m ²)	£900	£1,166	
Build Costs Flats (3-5 storey)	N/A	£1,166	
Build Costs Houses (Mixed Developments) (£/m ²)	£783	£1,026	
Build Costs Houses (Estate Housing)	N/A	£993	
Additional 10% allowance for small sites following FSB report ¹			
Site Preparation (£ / unit)	£4,000	£4,000	
Survey Costs (£ / unit)	£500	£500	
Contingencies (% of build cost)	3%	3% - 5%	3% for greenfield / 5% for PDL
Professional & Other Fees (% of build cost)	12.0%	10.0%	
Sustainable Design / Construction Standards (% of build cost) ²	5.85%	2.00%	Latest data suggests allowances in the range of 1% to 1.5% to meet building regulations
Lifetime Homes (per unit)	£545	Not Tested	No longer relevant
Planning Obligations	£67/m ² for all units and appraisals. Sensitivity tested at £33/m ² and £100/m ² on sample of sites.	Education & Open Space Contributions in line with relevant SPD (see below)	
Marketing & Sales Costs (% of GDV)	3%	4%	
Legal Fees on sale (£ per unit)	£750	£750	
DEVELOPER'S RETURN FOR RISK AND PROFIT			
Open Market Housing & Starter Homes Profit (% of GDV)	17.5% & 20%	20.0%	
Affordable Housing Profit (% of GDV)	6.0%	6.0%	
FINANCE & ACQUISITION COSTS			
Arrangement Fees - (% of loan)	1.0%	1.5%	
Miscellaneous (Surveyors etc) - per unit	0.00%	0.00%	
Agents Fees (% of site value)	1.50%	1.50%	
Legal Fees (% of site value)	0.75%	0.75%	
Stamp Duty (% of site value)	0% to 5%	0% to 5%	
	HMRC scale	HMRC scale	
Finance Rate - Build (%)	6.0%	7.5%	
Finance Rate - Land (%)	6.0%	7.5%	

¹ Build cost taken as "Median" figure from BCIS for that build type - e.g. flats ; houses storey heights etc. and then rounded. Median figure gives a better figure than the Mean as it is not so influenced by rogue figures that can distort the mean on small sample sizes. The BCIS figure for Scarborough has been used. Includes allowance for uplift to build costs based on BCIS / FSB research for sites of 10 or fewer dwellings. External works added separately - 15% of base build costs.

² BCIS report for the Federation of Small Businesses - Housing development: the economics of small sites - the effect of project size on the cost of housing construction (August 2015)

³ The above costs are based on the DCLG Housing Standards Review Impact Assessment costings assuming equivalent CFHS L4 energy costs only base. Appraisals assume cost uplift in line with figures above assuming average cost uplift from each unit type (£1,932 per unit average, equating to the 2% assumed above).

⁴ Primary Education contribution - 15 unit schemes+ 0.25 pupils per dwelling - £13,596 per pupil; Open space contribution - £660.27 per resident (urban) / £676.27 per resident (rural) - average of £668.27 per resident taken for purposes of this study. 1 resident per bedroom assumed.

Appendix II: Results Summary

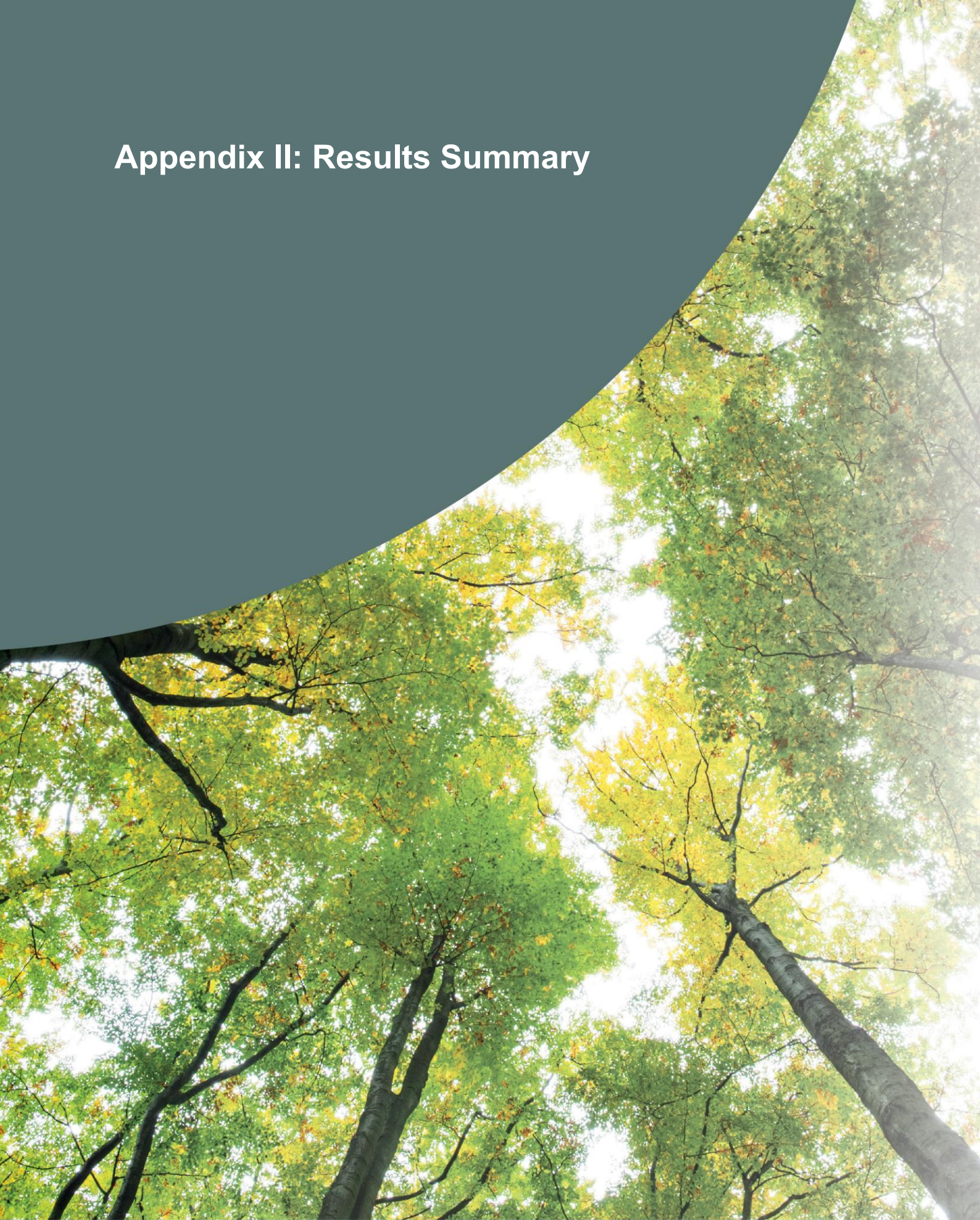


Table 1: Viability Update - RLV Results - VL2 - Scarborough Housing Market Area

Residual Land Value (£)										
Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	RLV - 0% AH	RLV - 20% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH
2011 Study	25	Mixed	PDL / Greenfield	50	2	£1,800	£170,055	£220,804	£153,732	N/A
2016 Update					17.5% DP / LQ Build Cost	-£37,394	£12,903	£153,732	N/A	
					17.5% DP / Median Build Cost	-£84,476	-£294,479	-£151,547	N/A	
					20% DP / LQ Build Cost	£139,470	-£53,005	£74,442	N/A	
					20% DP / Median Build Cost (Base)	-£165,810	-£360,388	-£230,838	N/A	

Residual Land Value (£/ha)										
Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	RLV - 0% AH	RLV - 20% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH
2011 Study	25	Mixed	PDL / Greenfield	50	2	£1,800	£340,111	£441,607	£307,464	N/A
2016 Update					17.5% DP / LQ Build Cost	-£74,787	£25,807	£307,464	N/A	
					17.5% DP / Median Build Cost	-£168,952	-£588,958	-£303,095	N/A	
					20% DP / LQ Build Cost	£278,939	-£106,010	£148,884	N/A	
					20% DP / Median Build Cost (Base)	-£331,620	-£720,776	-£461,677	N/A	

Land Value Benchmark - £300,000/ha
Source: Dixon Searle LLP (July 2016)

Table 2: Viability Update - RLV Results - VL3 - Filey, Hunmanby & Southern Parishes Housing Market Area

Residual Land Value (£)										
Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	RLV - 0% AH	RLV - 20% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH
2011 Study	25	Mixed	PDL / Greenfield	50	3	£2,100	£571,568	£315,377	N/A	N/A
2016 Update						17.5% DP / LQ Build Cost	£665,295	£383,884	£587,057	£452,024
					17.5% DP / Median Build Cost	£360,015	£76,501	£281,776	£143,348	
					20% DP / LQ Build Cost	£570,419	£307,002	£494,565	£367,944	
					20% DP / Median Build Cost - Base	£265,139	-£381	£189,284	£59,269	

Residual Land Value (£/ha)										
Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	RLV - 0% AH	RLV - 20% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH
2011 Study	25	Mixed	PDL / Greenfield	50	3	£2,100	£1,143,136	£630,755	N/A	N/A
2016 Update						17.5% DP / LQ Build Cost	£1,330,590	£767,768	£1,174,114	£904,048
					17.5% DP / Median Build Cost	£720,030	£153,003	£563,553	£286,696	
					20% DP / LQ Build Cost	£1,140,839	£614,005	£989,129	£735,889	
					20% DP / Median Build Cost - Base	£530,278	-£761	£378,568	£118,537	

Land Value Benchmark - £400,000/ha
 Source: Dixon Searle LLP (July 2016)



Table 3: Viability Update - RLV Results - VL4 - Whitby, Northern & Western Parishes Housing Market Area

Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Residual Land Value (£)						
							RLV - 0% AH	RLV - 20% AH	RLV - 30% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH	RLV 20% Starter Homes / 20% AH	
2011 Study	25 Mixed	2011 Study	PDL / Greenfield	50	4	£2,400	£1,954,774	£1,293,087	£861,274	N/A	N/A	N/A	
2016 Update		17.5% DP / LQ Build Cost						£1,109,786	£754,865	£670,105	£1,020,380	£854,027	£750,272
		17.5% DP / Median Build Cost						£804,506	£447,482	£357,442	£715,101	£545,351	£440,546
		20% DP / LQ Build Cost						£1,001,369	£667,009	£588,125	£914,687	£757,948	£662,203
		20% DP / Median Build Cost - Base						£696,089	£439,159	£275,462	£609,407	£449,271	£352,477

Development Scenario / Sensitivity Test			Typical Site Type	Site Density (dph)	Value Level	Value £/m ²	Residual Land Value (£/ha)						
							RLV - 0% AH	RLV - 20% AH	RLV - 30% AH	RLV - 20% Starter Homes	RLV 20% Starter Homes / 10% AH	RLV 20% Starter Homes / 20% AH	
2011 Study	25 Mixed	2011 Study	PDL / Greenfield	50	4	£2,400	£3,909,547	£2,586,174		N/A	N/A	N/A	
2016 Update		17.5% DP / LQ Build Cost						£2,219,573	£1,509,729	£1,340,211	£2,040,761	£1,708,055	£1,500,543
		17.5% DP / Median Build Cost						£1,609,012	£894,964	£714,884	£1,430,202	£1,090,702	£881,092
		20% DP / LQ Build Cost						£2,002,738	£1,334,018	£1,176,249	£1,829,374	£1,515,895	£1,324,406
		20% DP / Median Build Cost - Base						£1,392,177	£878,317	£550,924	£1,218,814	£898,541	£704,955

Land Value Benchmark - £600,000/ha
Source: Dixon Searle LLP (July 2016)

Appendix III: Residential Market Update

For: Scarborough Borough Council
Viability Assumptions Review

May 2016

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1.0 Introduction

- 1.1 This Appendix provides updated residential market information and analysis, its purpose is to review the assumptions made in earlier viability work carried out by DSP (Affordable Housing Economic Viability Assessment 2011) viability work to inform affordable housing policies in the Borough.
- 1.2 This information will also assist the Council in reviewing and monitoring trends in the source data and update where necessary in the future if required e.g. also building towards and maintaining a topical evidence base for future planning policy or CIL charging schedule scenarios.
- 1.3 Note: It should be acknowledged that this is high level work and a great deal of variance may be seen in practice from one development to another (with site-specific characteristics). This data gathering process adopted by DSP involves the review of a range of information sources, so as to inform an overview that is relevant to and appropriate for the project context. The aim here is to consider changes and trends and therefore enable us to provide the Council with an updated context picture so far as is suitable and practically possible.

2.0 Economic Context

Bank of England

- 2.1 The current official Bank Rate (Base Rate) has remained at 0.5% - since being reduced to that level in March 2009. The Agent's Summary of Business Conditions (April 2016) stated:
- *“Annual output growth had been unchanged on the month. Investment growth intentions had weakened a little, mostly reflecting increased uncertainty.*
 - *After a prolonged period of gentle increases, corporate credit availability had tightened slightly for medium and large companies, reflecting less favourable capital market conditions. Access to credit for smaller companies had continued to increase gradually.*
 - *Housing market activity had risen due to increased purchases of properties by buy-to-let investors ahead of April's stamp duty changes. In contrast, investor demand for commercial real estate had slowed, particularly in London.”*

3.0 Housing Market Context

Land Registry

- 3.1 The **March 2016 Land Registry House Price Index Report** (released 28th April 2016) provided the following information, in summary, in terms of market trends:

Sales Volumes

- *“The March data shows a monthly price decrease of 0.5 per cent.*
- *The annual price change now stands at 6.7 per cent, bringing the average house price in England and Wales to £189,901.*
- *The number of property transactions has increased over the last year. From October 2014 to January 2015 there was an average of 73,744 sales per month. In the same months a year later, the figure was 74,374.”*

- 3.2 The March 2016 report stated: -

For England Wales overall:

- Annual change in average house prices 6.7% (positive)
- Monthly change in average house prices -0.5% (negative)
- Average price £189,901

For Yorkshire and the Humber region overall:

- Annual change in average house prices 1.6% (positive)
- Monthly change in average house prices -2.6% (negative)
- Average price £121,841

For North Yorkshire region overall:

- Annual change in average house prices 3.6% (positive)
- Monthly change in average house prices 0.3% (positive)
- Average price £181,033

3.3 This data indicates that the North Yorkshire region is outperforming the Yorkshire and the Humber region but is marginally behind the England and Wales picture overall.

Source: www.landregistry.gov.uk

Figure 1: Land Registry House Price Index – November 2011 – February 2016

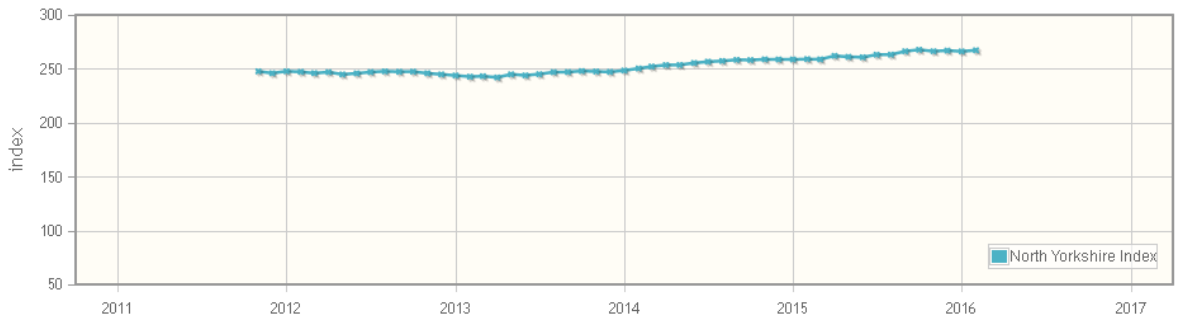


Table 1: Land Registry HPI Data – November 2011 – February 2016

Key:

	Current Position
	November 2011 Position

Date	North Yorkshire Index	Date	North Yorkshire Index
Feb-16	267.25	Dec-13	247.15
Jan-16	266.22	Nov-13	247.57
Dec-15	266.98	Oct-13	247.99
Nov-15	266.35	Sep-13	247.05
Oct-15	267.71	Aug-13	246.95
Sep-15	266.34	Jul-13	245.11
Aug-15	263.24	Jun-13	243.94
Jul-15	263.13	May-13	244.95
Jun-15	260.77	Apr-13	242.04
May-15	261.13	Mar-13	243.22
Apr-15	262.08	Feb-13	242.74
Mar-15	258.8	Jan-13	243.84
Feb-15	259.06	Dec-12	244.88
Jan-15	258.72	Nov-12	245.88
Dec-14	258.71	Oct-12	247.41
Nov-14	258.84	Sep-12	247.32

Date	North Yorkshire Index	Date	North Yorkshire Index
Oct-14	258.18	Aug-12	247.69
Sep-14	258.38	Jul-12	247.01
Aug-14	257.32	Jun-12	245.83
Jul-14	256.65	May-12	244.85
Jun-14	255.47	Apr-12	246.96
May-14	253.66	Mar-12	246.03
Apr-14	253.59	Feb-12	247.21
Mar-14	252.15	Jan-12	247.76
Feb-14	250.37	Dec-11	245.97
Jan-14	248.5	Nov-11	247.72

3.4 This HPI data for North Yorkshire to February 2016 shows a 7.6% increase in values since the date of the previous research DSP carried out in November 2011.

3.5 Office for National Statistics (ONS) – House Price Index (February 2016)

- *“UK house prices increased by 7.6% in the year to February 2016, down from 7.9% in the year to January 2016.*
- *House price annual inflation was 8.2% in England, 2.8% in Wales, -0.8% in Scotland and 2.4% in Northern Ireland.*
- *Annual house price increases in England were driven by an annual increase in the South East (11.4%), the East (10.3%) and London (9.7%).*
- *Excluding London and the South East, UK house prices increased by 5.0% in the 12 months to February 2016.*
- *On a seasonally adjusted basis, average house prices increased by 0.4% between January 2016 and February 2016.*
- *In February 2016, prices paid by first-time buyers were 8.0% higher on average than in February 2015.*
- *For owner-occupiers (existing owners), prices increased by 7.4% for the same period.*
- *UK average mix-adjusted house price in February 2016 was £284,000.”*

RICS Residential Market Report (March 2016)

3.6 Headline reads: *“Activity expected to cool and Stamp Duty deadline passes.”*

- *“Buyer demand and sales growth both ease*

- *Sales expectations weaken significantly in the aftermath of buy-to-let rush*
 - *Tight market conditions ensure prices continue to rise firmly at the UK-wide level”*
- 3.7 *“The March 2016 RICS Residential Market Survey highlights a noticeable softening in near term sales expectations. This follows a rush of buyers looking to avoid the additional Stamp Duty surcharge (on second home and buy-to-let purchasers) introduced in April. Meanwhile, the recent improvement in new instructions stalled during March as tight market conditions persist. House prices continue to rise on the back of this, with a net balance of +42% more surveyors nationally noting increasing prices (as opposed to falling) in the latest results.*
- 3.8 *On the activity front, agreed sales improved for the fourth month in succession although at a much slower rate in comparison to earlier in the year. Looking ahead, near term sales expectations dipped marginally into negative territory for the first time since 2008. Even so, survey evidence had strongly suggested sales were being temporarily boosted or brought forward by a flock of buy-to-let investors and second home purchasers looking to complete transactions before the introduction of the aforementioned Stamp Duty change. As such, the more subdued near term sales outlook is unsurprising. Further out, over the next twelve months, sales are still projected to rise across all parts of the country albeit less so than previously.*
- 3.9 *Following a run of three successive monthly increases, new sales instructions were broadly flat during March. Furthermore, notwithstanding the marginal uptick over the latest month, average stock levels per surveyor remain nearly 20% down on an annual comparison. Alongside this, new buyer enquiries were broadly stable at the national level although this masks considerable regional variation. Indeed, demand fell sharply in London and was broadly flat in the South East, Yorkshire and Scotland. Meanwhile, enquiries grew, to a greater or less degree, across all other parts of the UK.*
- 3.10 *With the lack of supply still an overriding feature of the market, prices continue to be driven higher despite the easing in demand growth. In fact, national house prices have now risen continuously for an entire three year period. Although the RICS price balance moderated slightly to +42, following +50 previously, it remains consistent with sizeable price growth (typically this measure has a sixth month lead over official measures of house price inflation). Disaggregating the data shows most UK regions and countries continue to post strong house price gains.*

- 3.11 *Contributors to the survey are projecting strong price growth across all other parts of the UK in the coming year. London, the South East and East Anglia continue to exhibit the highest proportion of respondents viewing their local market as overpriced to some extent. In the case of the South East, over the past six months, the share of contributors sensing prices are stretched relative to fundamentals has increased from 51% to 62%. At the other end of the spectrum, Wales and Scotland appear to be the most reasonably priced markets at present, with 90% of respondents sensing housing to be either at or below fair value. Nationally, around 60% of respondents sense current market prices to be around fair value.*
- 3.12 *In the lettings market, tenant demand (non seasonally adjusted monthly series) continued to rise at a solid rate with growth coming across all parts of the UK. Despite landlord instructions picking up for the second consecutive month, the increase was not enough to keep pace with demand. As a result, rents are expected to rise firmly over the next twelve months. Over the next five years, respondents continue to anticipate rents will increase by an average of 4.5% per annum at the headline level.*
- 3.13 *Credit conditions, as captured by the RICS ‘perceived LTV’ series, have continued to relax gradually across the first time buyer category. Indeed, when taken as a three month average, perceived first time buyer LTV’s have inched up to 86.1% (from 85.4% a year ago). Across existing owners and buy-to-let investors, LTV’s have seen little change over recent months, currently standing at 77% and 73% respectively.”*

4.0 Residential Market Review – April 2016

Source: www.rightmove.co.uk

- 4.1 The residential market review has been researched on settlements within the Borough (28 in total). This review includes research of available new build property data across the Borough, re-sale value data together with analysis of the above with the previous value information from carried out by DSP in November 2011.
- 4.2 **Re-sale residential market review – Uplifted Rightmove re-sale values from previous study (April 2016).**
- 4.3 The original overall residential market (re-sales based) research for a range of different housing types from 1-bed flats to detached 4-bed houses, utilising property search engine RightMove, was based on settlements areas and gathered for an overview of the values patterns seen across the Borough - commencing in November 2011. As part of building an updated picture appropriate to inform the assumptions review, for current high-level viability review purposes DSP has applied increases of 7.6% (based on Land Registry data for the North Yorkshire region) to that previous research as illustrated in table 2 below. This table shows the previous average asking prices in £ per m² based on settlements from November 2011 (date of original research) alongside the respective figures that result from applying a 7.6% uplift, as above.

See tables on the following page.

Table 2 – Uplifted average asking prices in £ per sq. m. (Settlements) – sorted by ‘All Properties’

Settlement	Nov-11						Feb-16 Uplift by 7.6%
	1 Bed Flats	2 Bed Flats	2 Bed House	3 Bed House	4 Bed House	All Properties	All Properties
Irton	£0	£0	£0	£3,274	£3,925	£3,626	£3,902
Cloughton	£0	£0	£2,667	£3,176	£4,121	£3,393	£3,650
Muston	£0	£0	£2,333	£0	£4,025	£3,300	£3,551
Reighton	£0	£0	£0	£2,588	£3,425	£3,040	£3,271
Scalby	£0	£2,686	£2,433	£2,823	£3,786	£3,000	£3,228
Burniston	£0	£0	£3,022	£2,579	£3,098	£2,906	£3,127
Brompton by Sawdon	£0	£0	£3,109	£2,843	£2,750	£2,884	£3,103
Sleights	£3,300	£0	£2,233	£2,646	£2,897	£2,732	£2,940
Snainton	£0	£0	£2,059	£2,452	£2,913	£2,516	£2,707
Lebberston	£0	£0	£0	£2,516	£0	£2,516	£2,707
Whitby	£2,300	£2,662	£2,093	£2,347	£2,541	£2,398	£2,580
West Ayton	£0	£0	£2,266	£2,617	£2,290	£2,390	£2,572
Gristhorpe	£0	£0	£1,947	£2,765	£2,281	£2,343	£2,521
East Ayton	£0	£0	£2,446	£2,212	£2,275	£2,304	£2,479
Flixton	£0	£0	£0	£2,470	£2,122	£2,282	£2,456
Hunmanby	£0	£2,283	£1,920	£2,158	£2,625	£2,272	£2,445
Osgodby	£0	£2,024	£1,800	£2,288	£2,674	£2,240	£2,410
Seamer	£0	£0	£2,011	£2,043	£2,425	£2,180	£2,346
Newby	£0	£1,880	£1,799	£2,018	£2,715	£2,153	£2,316
Crossgates	£0	£0	£1,773	£1,883	£2,142	£1,951	£2,099
Cayton	£0	£1,417	£1,840	£2,217	£2,100	£1,931	£2,077
Scarborough	£1,551	£1,841	£1,446	£1,790	£1,999	£1,754	£1,888
Filey	£0	£820	£1,333	£1,534	£2,233	£1,555	£1,674
Eastfield	£1,399	£0	£1,276	£1,336	£1,072	£1,247	£1,342
Folkton	£0	£0	£0	£0	£0	£0	£0
Killerby (nr Cayton)	£0	£0	£0	£0	£0	£0	£0
Rushton	£0	£0	£0	£0	£0	£0	£0
Wykeham	£0	£0	£0	£0	£0	£0	£0
Overall	£1,807	£2,075	£1,784	£2,008	£2,479	£2,073	£2,231

Updated Zoopla source average values data (current area statistics)

(Source of information in maps and tables on this and following pages: www.zoopla.co.uk – April 2016)

- 4.4 The tables below provide a quick analysis of the Zoopla ‘Average Current Values Estimate’ data (April 2016) based on settlements as per the original re-sale research carried out previously. This data was not available for all settlements, but provide a further source for considering house price trends; in making judgements over an appropriate uplift level to the previous values basis (seen through the range of Value Levels – VLS) to inform assumptions for current stage review sample development scenario appraisals.

Table 3: Zoopla current values area stats by settlement – sorted by ‘House’ data

Settlement	Houses		Flats	
	Price per sq.ft	Price per m2	Price per sq.ft	Price per m3
Cloughton	£274	£2,948		
Brompton by Sawdon	£218	£2,346		
Snainton	£204	£2,195		
Muston	£203	£2,184		
Whitby	£199	£2,141	£198	£2,130
Scalby	£192	£2,066		
Sleights	£186	£2,001		
Gristhorpe	£186	£2,001		
Burniston	£183	£1,969		
Seamer	£175	£1,883		
Cayton	£173	£1,861		
West Ayton	£170	£1,829		
Hunmanby	£162	£1,743	£168	£1,808
Filey	£160	£1,725	£168	£1,808
East Ayton	£160	£1,722		
Osgodby	£158	£1,700		
Crossgates	£158	£1,700		
Scarborough	£157	£1,689	£161	£1,732
Reighton	£146	£1,571		
Flixton	£120	£1,291		
Eastfield	£118	£1,270		
Average:	£176	£1,897	£174	£1,870

Note: No Available data for Irton, Lebberston, Newby, Folkton, Killerby, Rushton, Wykeham.

New Build Properties for Sale – April 2016

4.5 The tables below provide information, so far as found through desktop research and enquiries, on new build properties for sale in April 2016. The data has been collected from Rightmove and based on settlements within the Borough. Property sizes are as supplied with details or, where those were not stated, estimated – e.g. from agents' or other floor plans are noted in *italics*. DSP were also provided with some new build sold prices data by the Council which will be considered further later.

Source: DSP research - www.rightmove.co.uk; various house builders' & estate agents' websites

Table 4: Available New Build Values Data (April 2016)

Address	Description	Price	Size (m2)	Price per m2	Price Less 5%	Price Less 10%	Price Plus 10%	Developer / Agent
Scalby								
Houses								
Field Lane	5 Bed Detached	£349,950	154	£2,272	£2,159	£2,045	£2,500	Taylor Wimpey
Field Lane	4 Bed Detached	£304,950	138.5	£2,202	£2,092	£1,982	£2,422	Taylor Wimpey
Field Lane	4 Bed Detached	£254,950	90	£2,833	£2,691	£2,550	£3,116	Taylor Wimpey
Field Lane	3 Bed Terrace	£199,950	80	£2,499	£2,374	£2,249	£2,749	Taylor Wimpey
Field Lane	3 Bed Terrace	£189,950	80	£2,374	£2,256	£2,137	£2,612	Taylor Wimpey
Field Lane	3 Bed Semi	£182,950	75	£2,439	£2,317	£2,195	£2,683	Taylor Wimpey
Average:		£247,117	102.92	£2,437	£2,315	£2,193	£2,680	
Sleights								
Houses								
Coach Road	3 Bed Semi	£250,000	100	£2,500	£2,375	£2,250	£2,750	Reeds Rains
Coach Road	3 Bed Semi	£250,000	100	£2,500	£2,375	£2,250	£2,750	Reeds Rains
Coach Road	3 Bed Semi	£250,000	100	£2,500	£2,375	£2,250	£2,750	Reeds Rains
Average:		£250,000	100.00	£2,500	£2,375	£2,250	£2,750	
Snainton								
Houses								

Address	Description	Price	Size (m2)	Price per m2	Price Less 5%	Price Less 10%	Price Plus 10%	Developer / Agent
Pickering Road	4 Bed Terrace	£275,000	111.5	£2,466	£2,343	£2,220	£2,713	Cundalls
Whitby								
Houses								
Kingfisher Drive	4 Bed Detached	£277,995	105	£2,648	£2,515	£2,383	£2,912	Barratt Homes
Kingfisher Drive	4 Bed Detached	£266,995	105	£2,543	£2,416	£2,289	£2,797	Barratt Homes
Kingfisher Drive	4 Bed Detached	£262,995	105	£2,505	£2,379	£2,254	£2,755	Barratt Homes
Kingfisher Drive	4 Bed Detached	£254,995	105	£2,429	£2,307	£2,186	£2,671	Barratt Homes
Kingfisher Drive	4 Bed Detached	£253,995	105	£2,419	£2,298	£2,177	£2,661	Barratt Homes
Swallow Crescent	3 Bed Semi	£199,950	75	£2,666	£2,533	£2,399	£2,933	Astins
Wagtail Crescent	3 Bed Terrace	£180,000	71.1	£2,532	£2,405	£2,278	£2,785	York HA
Wagtail Crescent	3 Bed Terrace	£175,000	71.1	£2,461	£2,338	£2,215	£2,707	York HA
Average:		£233,991	92.8	£2,525	£2,399	£2,273	£2,778	
East Ayton								
Houses								
Racecourse Road	3 Bed Bungalow	£265,000	121	£2,190	£2,081	£1,971	£2,409	Colin Ellis
Hunmanby								
Houses								
Wrangham Drive	3 Bed Bungalow	£195,000	85	£2,294	£2,179	£2,065	£2,524	DMA Estate Agents
Osgodby								
Houses								
The Boulevard	4 Bed Detached	£272,500	130	£2,096	£1,991	£1,887	£2,306	Kebbell Homes
The Boulevard	4 Bed Detached	£255,000	110	£2,318	£2,202	£2,086	£2,550	Kebbell Homes
The Boulevard	4 Bed Detached	£214,950	130	£1,653	£1,571	£1,488	£1,819	Kebbell Homes
The Boulevard	4 Bed Semi	£209,950	104	£2,019	£1,918	£1,817	£2,221	Kebbell Homes
The Boulevard	3 Bed Semi	£195,000	100	£1,950	£1,853	£1,755	£2,145	Kebbell Homes
The Boulevard	3 Bed Semi	£185,000	100	£1,850	£1,758	£1,665	£2,035	Kebbell Homes
The Boulevard	3 Bed Terrace	£159,950	82.3	£1,943	£1,846	£1,749	£2,138	Kebbell Homes
Average:		£194,434	98.1	£1,986	£1,886	£1,787	£2,184	

Address	Description	Price	Size (m2)	Price per m2	Price Less 5%	Price Less 10%	Price Plus 10%	Developer / Agent
Cayton								
Houses								
Stanley Close	4 Bed Detached	£239,995	114	£2,105	£2,000	£1,895	£2,316	Barratt Homes
Stanly Close	4 Bed Detached	£236,995	110.2	£2,151	£2,043	£1,936	£2,366	Barratt Homes
Stanly Close	3 Bed Semi	£167,995	75	£2,240	£2,128	£2,016	£2,464	Barratt Homes
Stanly Close	3 Bed Terrace	£154,995	75	£2,067	£1,963	£1,860	£2,273	Barratt Homes
Stanly Close	3 Bed Terrace	£149,995	75	£2,000	£1,900	£1,800	£2,200	Barratt Homes
Stanly Close	3 Bed Terrace	£146,995	75	£1,960	£1,862	£1,764	£2,156	Barratt Homes
Average:		£182,828	87.4	£2,087	£1,983	£1,878	£2,296	
Scarborough								
Houses								
Seamer Road	4 Bed Terrace	£150,000	112	£1,339	£1,272	£1,205	£1,473	Nicholsons
Blueberry Way	4 Bed Terrace	£148,950	110	£1,354	£1,286	£1,219	£1,490	Four Walls or More
Blueberry Way	3 Bed Terrace	£144,950	99	£1,464	£1,391	£1,318	£1,611	Four Walls or More
Blueberry Way	3 Bed Terrace	£139,950	99	£1,414	£1,343	£1,272	£1,555	Four Walls or More
Blueberry Way	3 Bed Semi	£139,950	96	£1,458	£1,385	£1,312	£1,604	Four Walls or More
Blueberry Way	3 Bed Semi	£134,950	96	£1,406	£1,335	£1,265	£1,546	Four Walls or More
Blueberry Way	3 Bed Terrace	£134,950	93	£1,451	£1,379	£1,306	£1,596	Four Walls or More
Blueberry Way	3 Bed Terrace	£129,950	93	£1,397	£1,327	£1,258	£1,537	Four Walls or More
Blueberry Way	2 Bed Semi	£119,950	75	£1,599	£1,519	£1,439	£1,759	Four Walls or More
Blueberry Way	2 Bed Semi	£116,950	75	£1,559	£1,481	£1,403	£1,715	Four Walls or More
Blueberry Way	2 Bed Terrace	£114,950	75	£1,533	£1,456	£1,379	£1,686	Four Walls or More
Average:		£134,136	93.0	£1,452	£1,380	£1,307	£1,597	
Flats								
Blueberry Way	2 Bed Flat	£99,950	65	£1,538	£1,461	£1,384	£1,691	Four Walls or More
Filey								
Houses								

Address	Description	Price	Size (m2)	Price per m2	Price Less 5%	Price Less 10%	Price Plus 10%	Developer / Agent
Mill Meadows	4 Bed Detached	£214,950	103.8	£2,071	£1,967	£1,864	£2,278	Coast and Country
Mill Meadows	3 Bed Semi	£149,950	70	£2,142	£2,035	£1,928	£2,356	Coast and Country Housing
Mill Meadows	3 Bed Semi	£148,950	70	£2,128	£2,021	£1,915	£2,341	Coast and Country Housing
Mill Meadows	2 Bed Semi	£132,950	60	£2,216	£2,105	£1,994	£2,437	Coast and Country Housing
Average:		£161,700	76.0	£2,139	£2,032	£1,925	£2,353	

Note: No available properties for the following settlements – Irton, Cloughton, Muston, Reighton, Burniston, Brompton by Sawdon, Lebberston, West Ayton, Gristhrope, Flixton, Seamer, Newby, Crossgates, Eastfield, Folkton, Killerby, Rushton, Wykeham.

Overall market analysis

4.6 The tables below provide an overall analysis of all of the above values research in comparison with the values research data collected in November 2011 as follows: -

- Table 7a shows the analysis of the previous new build values research from November 2011 and the current new builds research in order to illustrate the marginal change in new build property values since the previous study. Note: the comparison is only between asking prices as the original new builds research was not broken down into £ per sq. m. rates.
- Table 7b shows the analysis between the current new builds values research in comparison with the uplifted re-sale data.
- Table 7c shows the comparison between all of the current values research (uplifted re-sale, new builds and Zoopla) and provides an overall average figure for settlement areas.
- Table 7d show the above data aggregated into the Council's Housing Market Areas.

Table 7a: New Builds Analysis by settlement area (November 2011 and April 2016)

Settlement	Nov-11	Apr-16
	Price Houses	Price Houses
Scalby	n/a	£247,117
Sleights*	n/a	£250,000
Snainton*	n/a	£275,000
Whitby	£202,596	£233,991
East Ayton*	n/a	£265,000
Hunmanby*	£221,875	£195,000
Osgodby	n/a	£194,434
Cayton	n/a	£182,828
Scarborough	n/a	£134,136
Filey	n/a	£161,700

Table 7b: New Builds and uplifted Re-sale Analysis by settlement area

Settlement	Feb-16 Uplift by 7.6%
	All Properties
Irton	£3,902
Cloughton	£3,650
Muston	£3,551
Reighton	£3,271
Scalby	£3,228
Burniston	£3,127
Brompton by Sawdon	£3,103
Sleights	£2,940
Snainton	£2,707
Lebberston	£2,707
Whitby	£2,580
West Ayton	£2,572
Gristhorpe	£2,521
East Ayton	£2,479
Flixton	£2,456
Hunmanby	£2,445
Osgodby	£2,410
Seamer	£2,346
Newby	£2,316
Crossgates	£2,099
Cayton	£2,077

Settlement	Feb-16 Uplift by 7.6%
	All Properties
Scarborough	£1,888
Filey	£1,674
Eastfield	£1,342
Folkton	£0
Killerby (nr Cayton)	£0
Rushton	£0
Wykeham	£0
Overall	£2,231

Table 7c: Overall current values research analysis by settlement area

Settlement	Feb-16 Uplift by 7.1%	Zoopla April 16	New Build Average Price per sq.m.	Overall Average
	All Properties	Houses only*	Houses only	
Irton	£3,902	n/a	n/a	£3,902
Cloughton	£3,650	£2,948	n/a	£3,299
Muston	£3,551	£2,184	n/a	£2,867
Reighton	£3,271	£1,571	n/a	£2,421
Scalby	£3,228	£2,066	£2,437	£2,577
Burniston	£3,127	£1,969	n/a	£2,548
Brompton by Sawdon	£3,103	£2,346	n/a	£2,724
Sleights	£2,940	£2,001	£2,500	£2,480
Snainton	£2,707	£2,195	£2,466	
Lebberston	£2,707	n/a	n/a	£2,707
Whitby	£2,580	£2,141	£2,525	£2,415
West Ayton	£2,572	£1,829	n/a	£2,200
Gristhorpe	£2,521	£2,001	n/a	£2,261
East Ayton	£2,479	£1,722	£2,190	£2,130
Flixton	£2,456	£1,291	n/a	£1,873
Hunmanby	£2,445	£1,743	£2,294	£2,161
Osgodby	£2,410	£1,700	£1,986	£2,032
Seamer	£2,346	£1,883	n/a	£2,115
Newby	£2,316	n/a	n/a	£2,316
Crossgates	£2,099	£1,700	n/a	£1,900
Cayton	£2,077	£1,861	£2,087	£2,009
Scarborough	£1,888	£1,689	£1,452	£1,676

Settlement	Feb-16 Uplift by 7.1%	Zoopla April 16	New Build Average Price per sq.m.	Overall Average
	All Properties	Houses only*	Houses only	
Filey	£1,674	£1,725	£2,139	£1,846
Eastfield	£1,342	£1,270	n/a	£1,306
Folkton	n/a	n/a	n/a	n/a
Killerby (nr Cayton)	n/a	n/a	n/a	n/a
Rushton	n/a	n/a	n/a	n/a
Wykeham	n/a	n/a	n/a	n/a
Overall	£2,231	£1,897	£2,087	£2,338

**Limited data for Flats*

Key:

	Scarborough
	Filey, Humanby and Southern Parishes
	Whitby, Northern and Western Parishes

Table 7d: Overall current values research analysis by Housing Market Area

Key	Housing Market Area	Average Value Per sq.m.
	Scarborough	£1,676
	Filey, Humanby and Southern Parishes	£2,151
	Whitby, Northern and Western Parishes	£2,502

House price trends (summary) – Further review approach and assumptions informed by the above – Increase relative to Value Levels (VLs) used in base assessments.

- 4.7 From review of the Land Registry, Zoopla and other market reporting as outlined above, DSP considers that for the current assessment purpose an appropriate approach is to assume a relatively slight increase in house prices from our previous work. This position is formed from overviews of the range of sources considered here and in our view represents a suitable, prudent approach.
- 4.8 The previous Scarborough AHEVA in November 2011 used VLs representing sales values across an overall range of £1,500/m² to £3,300/m² in £300/m² increments providing 7 no. Value Levels (VLs). Typically, values for each housing market area are considered as follow:

Value Levels 2 - £1,800/m² (Scarborough)

Value Level 3 - £2,150/m² (Filey, Hunmanby and Southern Parishes)

Value Level 4 - £2,450/m² (Whitby, and Northern & Western Parishes)

- 4.9 We are of the opinion that the values used within that study should be updated in line with the Land Registry index.

5.0 BCIS Build Cost Analysis

- 5.1 The tables below provide a comparison analysis between the build costs adopted within the previous Viability Study in November 2011 and the most recently available non-forecast data for residential property. This data indicates that build costs have risen by approximately 28% over the intervening period.

See Table 9 below.

Table 9 – BCIS data Q1 2011 – Q1 2015 Residential (latest available non-forecast data)

Building Function	Primary Sub Class	Q1 2011	Q1 2015	% Difference
		Median	Median	
Housing Mixed Developments	n/a	£783	£1,026	31%
Estate Housing	Generally	£761	£993	30%
	Single Storey	£839	£1,092	30%
	2-storey	£737	£974	32%
	3-storey	£781	£963	23%
	4-storey or above	£1,350	£1,638	21%
	Estate Housing Detached	£851	£1,126	32%
Estate Housing Semi-Detached	Generally	£763	£997	31%
	Single Storey	£874	£1,181	35%
	2-storey	£748	£979	31%
	3-storey	N/A	£946	N/A
Estate Housing Terraced	Generally	£787	£994	26%
	Single Storey	£861	£1,012	18%
	2-storey	£776	£988	27%
	3-storey	£782	£950	21%
Flats (Apartments)	Generally	£900	£1,166	30%
	1-2 Storey	£839	£1,113	33%
	3-5 Storey	£910	£1,166	28%
	6+ Storey	£1,186	£1,509	27%
Total Average increase in build costs				28%

Appendix III: Residential Market Update Ends

July 2016