

NW62/A – LAND WEST OF NORTH WALSHAM

**Statement of Common Ground
Between**

**North Norfolk District Council
and**

**Lovell Partnerships Ltd, Flagship
Housing Developments Ltd and
ESCO Developments Ltd**

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SUMMARY OF VIABILITY ASSESSMENT, SAVILLS, JANUARY 2024

1.0 Introduction

- 1.1 North Norfolk District Council (NNDC) propose to allocate land North West of North Walsham (Site NW62/A) for residential-led development of approximately 1,800 dwellings, 7ha of employment land, community facilities and associated infrastructure. The majority of the site is being promoted by a consortium comprising ESCO Developments Ltd, Flagship Housing Developments Ltd and Lovell Partnerships Ltd (hereafter 'ESCO', 'Flagship', 'Lovell' or collectively, 'the Consortium').

Purpose of this Statement

- 1.2 This Statement of Common Ground (SoCG) sets out the agreed position of NNDC and the Consortium in relation to the availability, suitability and viability of the site, and its delivery.
- 1.3 A separate SoCG has been prepared which covers highways matters, and is signed by Norfolk County Council (NCC) and Broadland District Council (BDC) in addition to NNDC and the Consortium.

2.0 Availability

- 2.1 All parties agree that the land is available for development; as set out in the Consortium's Matter 5 Hearing Statement [EH011(e)(i)] in response to Question 5.6.4(h), the majority of the site is within the ownership of three parties, who have Collaboration and Equalisation Agreements in place. In turn, the Consortium have a Promotion Agreement over this land, and Flagship and Lovell also have an Option Agreement in place.
- 2.2 The remaining part of the site, which is almost entirely located to the north of Cromer Road, is within the ownership of a further seven parties. These landowners have previously put their land forward for allocation, and none have raised objections to the proposed allocation at earlier stages in the Plan-making process, nor commented negatively on the Draft Development Brief. It is therefore reasonable to conclude that the land remains available for development.

3.0 Suitability

- 3.1 All parties are agreed that the site is suitable for the development proposed.
- 3.2 As the largest town in the District, North Walsham is a sustainable location for significant growth, offering a wide range of services, and good sustainable transport links to other settlements in the District. It is relatively unconstrained in terms of landscape and ecological designations, when compared to other parts of the District.
- 3.3 The site itself has been subject to comprehensive assessment by NNDC during the preparation of the Local Plan, and the technical evidence base which underpins the Draft Development Brief

(EX010) has provided further evidence of the likely impacts of the proposed development, and necessary mitigation.

4.0 Viability

- 4.1 Savills, on behalf of the Consortium, has undertaken a site-specific Viability Assessment, the scope of which is commensurate with the Plan-Making stage; see Appendix 1.
- 4.2 SMB Property have reviewed the Viability Assessment on behalf of NNDC, and all parties are in agreement that the site is viable, taking into account all requirements of policy NW62/A, including the modifications proposed in document EX030, and all other relevant requirements of the submitted Local Plan.

5.0 Delivery

- 5.1 As set out in their respective Hearing Statements (EH011(e)(i) and EH011(a)(i)) both parties agree that the Council's Housing Trajectory, set out in their Housing Land Supply Statement [EX007] is generally realistic.
- 5.2 This is on the basis that the Consortium includes two housebuilders with an excellent track record of housing delivery in Norfolk, and that the preparation of an outline planning application and the associated technical evidence is at an advanced stage.

6.0 Signatures

On behalf of North Norfolk District Council:



Mark Ashwell, Planning Policy Manager, North Norfolk District Council

On behalf of the Consortium:



Iain Hill, Partner, Bidwells LLP

APPENDIX 1

SUMMARY OF VIABILITY ASSESSMENT,
SAVILLS, JANUARY 2024

1 February 2024
0202 Viability Statement - North Walsham (7)



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For the Attention of Chris Allison, Anna Cook-Bacon and Andrew Woollorton

Instructions

This Financial Viability Assessment report (FVA) has been prepared to demonstrate the viability and therefore deliverability of North Walsham West.

In producing this FVA we can confirm that all those involved, including sub-consultants, have acted objectively, impartially and without interference. Additionally, all those involved have given full consideration to how the proposed development will be delivered and the associated performance metrics. The conclusion of this assessment has been made with reference to all the appropriate guidance / policy including:

- National Planning Policy Framework (updated July 2021);
- Planning Practice Guidance (PPG) – Viability (updated September 2019);
- RICS Assessing viability in planning under the National Planning Policy Framework 2021 for England, 1st Edition (March 2021); and
- RICS Financial Viability in Planning: Conduct and Reporting 1st Edition (May 2019).

This FVA has been carried out with regard to the Professional and Ethical standards set out within PS2 of the RICS Valuation – Global Standards 2022 (the Red Book), effective from January 2022.

We confirm that this report and all subsequent engagement with the Council and their reviewer has and will be continue to be conducted in a reasonable and transparent manner.

Date of Assessment

The date of assessment is 1 February 2024.

Offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

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Confidentiality

We understand that this statement will be submitted to North Norfolk District Council. The statement must not be recited or referred to in any document (save the consultants instructed by the Council to review the report) without our express prior written consent.

Report Limitations

Please note that the advice provided on values is informal and given purely as guidance. Our views on price are not intended as a formal valuation and should not be relied upon as such. No liability is given to any third party and the figures suggested are not in accordance with the RICS Valuation – Global Standards 2022 (incorporating the IVSC International Valuation Standards), together the 'Red Book', and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

Explanatory Note: Market Conditions

The UK economy continues to maintain a watch over inflationary pressures amid sluggish economic growth. In the first half of 2023, the UK witnessed a modest expansion, leading the IMF to upgrade their forecasts and dismiss the possibility of a recession in 2023, however, to combat inflation, the Bank of England consistently raised the base rate from late 2021, reaching a high of 5.25% in August 2023. Concerns remain as to whether the economy will fall into recession in 2024, and despite the economy growing by 0.3% in November 2023, if overall the economy shrinks between October and December 2023, it will be deemed to be in recession. Whilst further increases cannot be ruled out, the prospect of further interest rate hikes in the short term appear to have subsided as inflation has gradually reduced over the course of the year. However, whilst the UK inflation rate for November 2023 was at its lowest level in 2 years, at 3.9%, December 2023 recorded a small rise to 4.0%, the first rise since February 2023. The rise was unexpected and may delay rate cuts by the Bank of England.

As a result of the increases in the base rate, borrowing costs have increased, surpassing prime real estate yields although the financial markets have begun to price in an anticipated reduction in interest rates, which is considered to indicate a turning point in the market.

The residential sales markets are considered to have stabilised at the end of 2023, and come at a time when confidence is returning to the UK's prime markets against a backdrop of continued falls in the underlying rate of inflation which have fed into more competition in the mortgage markets and more stability in the housing markets, despite continued underlying economic uncertainty.

Although inflation is still significantly above the Bank of England's target of 2.0%, it has nonetheless fallen significantly which has reduced the pressure to further raise interest rates, albeit a reduction is not expected before May 2024. As a consequence, mortgage lenders have begun to reduce their rates in respect of new fixed-rate loans albeit they remain at levels in excess of those which many borrowers had become accustomed to. Moreover, a further 1.2M fixed rates mortgages will come to an end in 2024.

Given the expected General Election in H2 2024, Savills anticipates that we will not see a return to sustained price growth until 2025. Instead, we expect 2024 to be a year of two halves: modest price falls of around 3.0 per cent in the first half of the year, and little if any movement in pricing in the second half of the year, with transactions broadly on par with 2023 and similarly weighted to equity-rich buyers.

It is therefore important to recognise that our valuation has been prepared against the backdrop outlined above. Moreover, investor behaviour can change quickly during such periods of heightened volatility. As such, the conclusions set out in this report are only valid at the valuation date and we would recommend that the value of the property is kept under regular review. For the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards.

Overview

This statement concerns the site known as North Walsham West, which is a draft allocation in the emerging North Norfolk District Council Local Plan under Policy NW62/A. The policy identifies that the 108 hectare (267 acre) urban extension is allocated for “approximately 1,800 dwellings, 7 hectares employment land, green infrastructure, community facilities and a road linking Norwich Road, Cromer Road and the industrial estate.”

We have been provided with a ‘high level’ phasing plan and an indication of the costs associated with delivery. In addition, we have undertaken our own research into likely sales revenues and demand for the completed properties. The methodology and the inputs adopted are described below.

Methodology

The financial viability of development proposals is determined using the residual land valuation method. A summary of this process is provided below:

Built value of proposed private residential	+	Built value of affordable housing	=	GDV
GDV	-	Build costs, finance costs, Section 106 costs, sales fees, developers profit, etc	=	Residual Land Value

The residual land value (RLV) is then compared to a benchmark land value. If the RLV is lower or not sufficiently higher than the benchmark land value, the project is not deemed viable.

We have undertaken the appraisal using Argus Developer software, an industry wide tool used by viability practitioners.

Inputs

Gross Development Value – Open Market Dwellings

In forming our opinion of Gross Development Value, we have adopted the comparable method of valuation. We have made enquiries of our own and public databases, local sales offices and our own local sales office. In analysing the evidence, we have had regard to the requirements of the RICS Professional Standard, Comparable Evidence in Real Estate Valuation (1st Edition).

There is limited, recent new build evidence of any scale in the North Walsham area. We have therefore also considered new homes sales from further afield but from locations that share the same characteristics of a Norfolk market town. We have placed most weight on new build evidence, but as a check we have also considered evidence of modern, but second hand sales from North Walsham. This approach allows us to gauge a tone for values, but also sales rates and demand. We have analysed the evidence based on size, and devalued to a rate per sq m (rate per sq ft).

For the new homes data, the sales rates range from £2,777.14 per sq m (£258 per sq ft) for the largest units, to £3,713.61 per sq m (£345 per sq ft) for units up to 64.57 sq m (695 sq ft). The second hand comparables taken from North Walsham, reflect an average unit size of 92.90 sq m (1,000 sq ft) and an overall average rate per sq m of £3,263.51 per sq m (£303 per sq ft).

We have assumed an average unit size in our appraisal and applied an overall average rate per sq m (rate per sq ft) to arrive at our GDV for the whole scheme. We consider this approach appropriate as the viability is being undertaken on a "high level" basis to confirm the scheme is deliverable, as opposed to viability testing a detailed application.

We have therefore assumed an average unit size of 100 sq m (1,100 sq ft) and a sales rate of £3,283.05 per sq m (£305 per sq ft) which is mid range of the new homes data and slightly above the North Walsham data but for second hand homes.

Gross Development Value – Affordable Housing

In accordance with planning policy, we have assumed 15% affordable housing provision and a policy compliant tenure split. In order to derive our GDV for this element, we have sought indicative bids from a Registered Provider to ensure the value adopted is market facing. We have adopted this indicative bid in our appraisal.

Sales Rate

We have undertaken analysis on schemes across Norfolk in order to inform an appropriate rate of sales. We have assumed a rate of 3 sales per month. It is possible that sales rates will increase as the scheme is developed and markets improve; we have however adopted 3 sales per month for all phases of the development for the purpose of this exercise.

Additional Parcels

In addition to residential development land, emerging policy also requires the provision of a local centre, employment land and specialist housing. We have assumed the local centre and employment land will be sold as parcels, serviced to their boundary and applied an appropriate rate per hectare (per acre) to these based upon our comparable research.

The policy for specialist housing is broad but, based on a site of this size, indicates 308 beds/units are to be provided. We have researched the sale of retirement villages, care homes and sheltered housing sites and analysed these on a rate per bed and per unit. We have adopted an appropriate rate based on our evidence and have discussed our hypothetical approach with the Council's reviewer.

Build Costs

As is industry practice, we have referred to the RICS Build Cost Information Service (BCIS) in order to inform our house build cost. BCIS rates reflect house build costs including overheads and preliminaries; all other construction costs are in addition. We have adopted the median build cost rate for estate housing, rebased to Norfolk as at the date of our appraisals (December 2023). We consider the median cost reasonable on the assumption it includes EPCs, warranties and Design Code requirements. The BCIS cost is £1,389 per sq m (£129.04 per sq ft).

In addition, it is appropriate to allow for roads/servicing, garages, plot externals and contingency. We have allowed industry standard inputs for these.

Abnormals

The scheme carries a high number of abnormal build costs and policy requirements. In addition to the base build costs referred to above, we have made specific allowances in our appraisal for the following key infrastructure items:

- Spine road
- Muckaway
- Highways drainage
- UKPN works
- Rising main and s98 works
- Archaeology

We have also made allowances for the following requirements:

- s278 works – Coltishall
- s278 works – Aylsham/Skeyton
- s278 works – Bradfield Road
- Signal improvements on the A149/B1150
- Bus improvement strategy

Section 106 Costs

We have allowed for section 106 costs at £4,500 per plot based on discussions with the Applicant's planning advisers and North Norfolk District Council. We have allowed for section 106 costs within each phase. We have assumed 25% of this cost is payable at the start of construction, 50% is payable at the start of sales, and the remaining balance payable upon 50% occupation.

Additional Costs

We have allowed for standard costs including professional fees, acquisition fees, disposal fees, finance and profit. The inputs adopted are industry accepted percentages.

Timescales

We have been provided with an indicative Gantt chart and a phasing plan by the Applicant and the phasing and timescales taken into account in our appraisal have reflected this. All standard build costs have been "s-curved" throughout the construction stages of each phase.

Summary of Inputs

The inputs can therefore be summarised as follows:

Appraisal Input	Timing/Comments
Open Market GDV	£305 psf 3 sales per month
AH GDV	Will assume golden brick payments throughout construction. Affordable revenue based on indicative bid from Registered Provider.
Profit	20% on GDV OM Plots
	6% on GDV AH Plots
Additional Land Parcels	Rate per acre applied for local centre and employment parcels. Rate per bed/unit applied for specialist housing. Assumed serviced to the boundary.
House Build Costs	Median BCIS S-curved on a phased basis throughout
Garages	£16,000 per garage S-curved on a phased basis throughout
Plot Externals	15% of house build cost S-curved on a phased basis throughout
S106 Costs	£4,500 per dwelling Phased across the site, assuming for each phase that 25% is upfront, 50% mid way, and 25% at the end of the phase
Standard Roads/Servicing	15% of build cost S-curved on a phased basis throughout.
Abnormals	As per costed phasing plan Provided by Applicant
Professional Fees	8% S-curved on a phased basis throughout
Acquisition Fees	SDLT, legals at 0.50% Upfront
Disposal Fees	Agents and Legals - 1.25% agents fees and 0.5% legals Upon sales on a phased basis
Finance	7.25%
Contingency	5% On all build costs, s-curved throughout construction

Benchmark Land Value

In determining the benchmark land value, we have considered the values adopted for other strategic sites within Norfolk. We have assumed a benchmark land value of £100,000 per gross acre, which is in line with that agreed at Rudham Stile Lane, Fakenham, which is also within the North Norfolk District area.

Review

We have, on behalf of the Applicant, met with the Council and the Council's reviewer to discuss the detail behind our viability appraisal. The appraisal and the associated inputs, phasing plan, Gantt chart and comparables have also been provided in full to the Council's reviewer.

Conclusion

On the basis of our appraisal summarised above, we find the site delivers a land value in excess of the benchmark land value and is therefore viable.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Vicki Hackett". The signature is fluid and cursive, with a large initial 'V'.

Vicki Hackett MSc LL.B (Hons) MRICS
Director, RICS Registered Valuer
Savills (UK) Ltd

