



VIABILITY APPRAISAL
FOR 15 RESIDENTIAL UNITS AT LAND AT BRONWYDD ARMS,
CARMARTHENSHIRE

On behalf of
Gwili Developments Ltd

Our Ref: 1184.a
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Prepared by: JDE

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1.0 INTRODUCTION

- 1.1 This Appraisal is made in accompaniment to an application for up to 15 residential dwellings at land at Bronwydd Arms, Carmarthenshire (LPA Ref. No. W/ 20622). The application was submitted in outline format and was presented to the Planning Committee with a recommendation for approval on 23rd May 2013. This was supported by Members, subject to further discussions taking place between Officers and the Applicant with regards to the provision of affordable housing as part of the proposal. Such discussions commenced, but no updated response has been received now from the Authority for a number of years and so the application remains undetermined.
- 1.2 As part of the original submissions, evidence regarding the viability of the scheme was prepared and submitted to the Authority on 13th July 2010. In view of the time that has since passed, this document seeks to provide an update on the situation in order to inform the Authority of the possible appropriate level of contributions the development is capable of achieving, as part of its overall delivery.

2.0 APPLICATION PROPOSAL CONTEXT

2.1 LOCAL PLANNING AUTHORITY STANCE TO DATE

2.1.1 As detailed in Section 1, the application proposal was approved in principle by the Planning Committee 23rd May 2013. Although in outline format, matters for approval considered by the Committee did include the means of access and overall form of the development (15 units) as described in the Development Description, based then on a submitted site layout drawing reproduced below.



Plan A

2.1.2 The Committee determined to grant planning permission for the development, subject to the preparation and signing of a Section 106 Agreement relating to the following provisions:

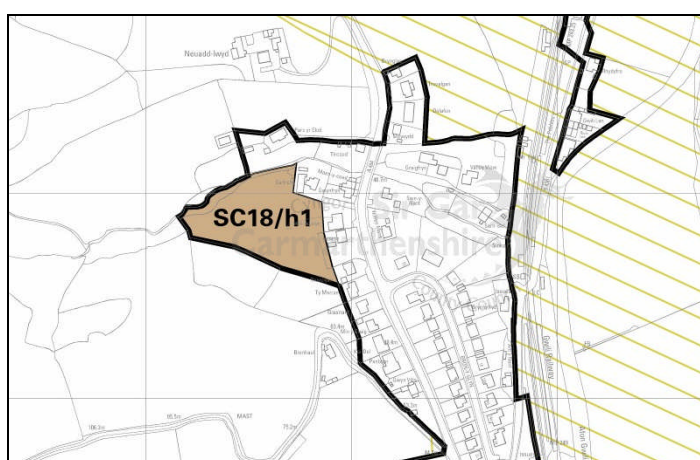
- A financial contribution towards traffic calming measures amounting to £16,800
- The provision of an element of affordable housing on the site.

2.1.3 Despite the above, no Section 106 Agreement has been prepared by the Authority. As result, this current Appraisal document provides an updated position with regards to the contributions that the application proposal is capable of contributing at a level that will secure its viability and in turn deliverability.

2.2 LOCAL PLANNING POLICY

2.2.1 At the time of its determination by the Planning Committee, the adopted development Plan for the County was the *Carmarthenshire Unitary Development Plan*. However, this was superseded by the *Carmarthenshire Local Development Plan* in December 2014.

2.2.2 Notwithstanding the above, as can be seen from the plan below, the site lies within the defined Development Limits for the settlement of Bronwydd and does in fact represent one of the Local Development Plan's (LDP) housing allocations.



Plan B

2.2.3 As one of the LDPs housing allocations (LDP Ref. No. SC18/h1), the site is expected to deliver in the region of 15 units, which is reflected by the application proposal.

2.2.4 Policy AH1 then sets out an aspirational target of 20% affordable housing on all residential developments within the 'Community Network Area' in question. However, the Policy also recognises that the provision of affordable housing on all County-wide sites will be considered on a "...case by case basis ...", if the delivery of affordable housing is subject to viability issues. It is recognised by the Authority that the previously prepared appraisal submitted by Colliers International concluded that the proposed development could not support any affordable housing, based on viability grounds.

2.2.5 As a result of the above, this new Viability Appraisal has been prepared in order to re-assess the viability position of the proposed development and ascertain as to whether or not it is now capable of providing any contribution towards the provision of affordable housing – on an on-site or off site basis.

3.0 THE PROPOSED DEVELOPMENT

3.1 Although the application proposal is in outline format, the application submissions considered by the Authority included details of the prospective site layout, potential dwelling styles and scales. As a result and in representing a form of development for the site considered appropriate by the Authority, for the purposes of this Appraisal the application scheme is considered to be as follows:

- Four 3 bedroom detached two storey houses
- Eleven 4 bedroom detached two storey houses

3.2 In terms then of the size of each individual dwelling, again, the application submissions are referred to in relation to the site layout and house types submitted to provide the following details:

House Type	Bedrooms	Floor Area (sq.m.)	No. of Units
A	3	85	2
B	3	91.5	1
C	4	124	2
D	4	135	3
E	4	128	1
F	4	150	4
G*	3	85	2

Table 1

(* - House Type G is based on the revised submitted Site Plan drawing)

3.3 Based on the submitted Site Plan, it is clear that the scheme will need to be served by a new adoptable road leading off the A484, with in turn private shared drives leading off this. As a result and again based on the submitted Site Plan, the anticipated lengths of each respective means of access have been taken to be as follows:

- Adoptable Highway = 155m
- Private Shared Drives = 50m

4.0 PROJECTED SALES VALUES

- 4.1 As detailed previously, the Applicant does not wish to develop the site themselves and so it is their intention to sell the site to a prospective developer. Although the site purchase was previously negotiated and agreed prior to the submission of the application, a considerable amount has passed since this time. For the purposes of this Appraisal therefore, a figure previously provided by the Authority of £150,000 per acre has been used, giving an estimated market land value of £300,000 for the site.
- 4.2 In terms of values, properties in Bronwydd and the surrounding area (1 mile) have been explored, but at present, there is only one comparable on the market (4 bed detached dwelling, Bro Celynin at £230,000).
- 4.3 Consideration has therefore also been given to those properties of a similar scale to those proposed for sale forming part of 'new-build' schemes in the settlements identified in the previously conducted appraisal, with a sample of those found shown below (floor areas where known are also shown):

Settlement	House Name	Bedrooms	Price
Johnstown	Mase Pedr	3	215,000
Carmarthen	Rhodfa Morgan Drive	3	210,000
Carmarthen	Maesydd y Coleg	3 (87 sq.m.)	185,000
Carmarthen	Lon y Plas	3 (52 sq.m.)	170,000
Pwll Trap	Parc Llwyn Celyn	4	275,000
Johnstown	Parc yr Onnen	4	241,995

Table 3

- 4.4 In view of the above figures and taking into account changing market conditions, it is considered reasonable therefore to again use the values for the proposed units as presented in the previously submitted appraisal, which were as follows:

House Type A = £200,000

House Type B - £205,000

House Type C = £220,000

House Type D = £230,000

House Type E = £220,000

House Type F = £250,000

House Type G = £200,000

4.5 Based on Scenario 1 (all open-market sales), the total projected sales figures for the proposed development would therefore be **£3,355,000.**

4.6 Notwithstanding the above, were the current local planning policy requirement in relation to affordable housing to be met in full (20% on site provision), 3 of the proposed units would be required to be made available on an affordable basis. This would then mean that they would be sold to a Registered Social Landlord/Housing Association upon completion (Scenario 2). Based on all House Type A and B units being the affordable units and using the current valuation given by the Authority's relevant Supplementary Planning Guidance document, the value of the two unit types per unit would then be as follows:

Affordable Unit Sales	£235,890
Open Market Unit Sales	£2,750,000

4.7 Based on Scenario 2, the total projected sales figures for the proposed development would therefore be **£2,985,890.**

5.0 CONSTRUCTION COSTS

5.1 Having consulted with Local Contractors, as well as taking on board previous advice provided by the Authority's Valuations Team on similar projects, it has been concluded that the build cost equates £1,200 per square metre. (This figure is based on current 'live' projects in the area and takes into account a degree of external works, but not the provision of detached garages). Based on this figure and the proposed dwelling sizes, the total cost of construction for each house type is as follows:

House Type A = £204,000
House Type B - £109,800
House Type C = £297,600
House Type D = £486,000
House Type E = £153,600
House Type F = £720,000
House Type G = £204,000

5.2 The construction of the proposed adoptable highway and private access drive must also be taken into consideration. These are calculated on industry established standard costings, which are as follows:

Private Access Drive - £400 per metre of road.
Adoptable Highway - £1,000 per metre of road.

5.3 Based on the length of the adoptable highway being 155m and the private access drive being 50m, the total costs for these elements would be **£175,000**.

5.4 With regards to utility connection costs, a figure had been previously provided by Western Power of circa £48,000 for electricity. We are not aware of mains gas being available in Bronwydd and so a previously considered figure of £1,000 per unit for connection to mains water has been taken, giving a total utilities connection cost for the site of **£63,000**.

- 5.5 Finally, as highlighted in the previously supplied appraisal, it is recognised that the site's ground conditions will prove more challenging than most to develop and so the previously suggest figure of **£100,000** for dealing with such matters must again be taken into account.
- 5.6 In summary therefore, the **total construction cost for the development (allowing for a 2.5% contingency) is £2,883,324.**

6.0 NON-CONSTRUCTION COSTS

6.1 ADMINISTRATIVE AND FINANCE COSTS

6.1.1 A number of administration costs have to also be borne by the project, with those known shown below:

Scenario 1

Structural Warranty (LABC / NHBC) – 15 X £1200	= £18,000
Legal, Marketing / Estate Agents Fees – 2% of GDV	= £67,100
Professional Fees (3.1% GDV)	= £104,005

TOTAL - = **£189,105**

Scenario 2

Structural Warranty (LABC / NHBC) – 15 X £1200	= £18,000
Legal, Marketing / Estate Agents Fees – 2% of GDV	= £59,717.80
Professional Fees (3.1% GDV)	= £92,562.50

TOTAL - = **£170,280.4**

7.0 PROFIT MARGIN AND SCHEME VIABILITY

7.1 The nationally industry standard (RICS) recognises that a minimum 15-18% profit margin should be achieved in order to secure borrowing on a development site. In this case, 15% profit margin against the sales values set within Section 4 for the two Scenarios above reveals the following returns:

Scenario 1

- Gross Development Value = total sales values of **£3,355,000**
- 15% Profit = **£503,250**

Scenario 2

- Gross Development Value = total sales values of **£2,985,890**
- 15% Profit = **£447,883.5**

7.2 The following then provides an indication of the 'balance' from the proposal when all costs, a profit margin of 15% of GDV is applied for each of the two Scenarios and the request of the Authority for a contribution towards traffic calming is taken into consideration. It should be noted however, that no allowance has been made for the cost of borrowing or the promotion of the site through the planning process.

Scenario 1

Gross Development Value of	£3,355,000
Minus costs (inc. land value) of	£2,883,325
Minus Traffic Calming contribution	£16,800
Minus Profit (15% of GDV)	£503,250
	= -£48,375

Scenario 2

Gross Development Value of	£2,985,890
Minus costs (inc. land value) of	£2,883,325
Minus Traffic Calming contribution	£16,800
Minus Profit (15% of GDV)	£447,883.5
	= -£362,118.5

- 7.3 As the above figures show, at present, neither scenario is viable at a profit margin level of 15%, with a significant loss being made when 3 affordable units on site are provided. In fact, in order to achieve a position where a zero balance was achieved for Scenario 2, the Profit level would need to be less than 3%. This is commercially untenable and so it is clear therefore that the application proposal from a viability perspective, is unable to make any contribution towards affordable housing either on an on-site or off-site basis.