

# Sustainability Through Planning

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## Development Economics

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**DVS** Property Specialists  
for the Public Sector

# DVS- Property specialists for the public sector

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## Viability Assessment:

- Affordable Housing
- Enabling Development
- Developer contributions
- Re-phasing draw down of S106
- LDF viability
- Expert witness

# Points to be Covered.....

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- Approach to Scheme Assessment
- Development Appraisals
- Viability Model
- Information Requirements
- Development Viability

# Approach to Scheme Assessment

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Developer's approach-

Generally the same, but takes account of:

- a) Own circumstances (price paid, funding arrangements etc)
- b) Anticipation of how the market may alter (i.e. Speculation).

Viability methodology-

Residual land value approach

Usually current day values and costs

*May vary to take account of:*

- a) Reasonable growth expectations (Long term developments)
- b) Actual land price paid.

# A - B = C

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a) Net Development Value:

b) Development Costs:

- Build costs
- Public realm
- Funding and finance
- Land

c) Profit

If profit level is at an acceptable level, the development is viable

# Viability Models

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- Viability tailored: 3 Dragons, HCA EAT
- Proprietary Development Software: Argus, Urbangate, Pro-Dev
- Bespoke excel based models

# Basic Information Required

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From applicant:

- Planning application- plans and design documents
- Detailed build cost report(s)
- Market evidence
- Valuation reports to support EUV and/or AUV)
- Project programme & phasing plan
- RSL Indicative offer for affordable units (if applicable)
- Viability appraisal

From Planning Authority:

1. LDF
2. Site specific planning guides/ Area Action Plan etc
3. SPD/G relevant to sustainability, s106 & affordable housing requirements
4. RSL contact for current values of affordable housing.

# Example

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## Assume Building Regulation Spec

### Gross development value (GDV):

Market : 21,500 sq ft @ £330 psf:	£7,099,750
Afford : 9,546 sq ft @ £172 psf:	<u>£1,640,000</u>
Total GDV:	£8,739,750

Less:

### Development costs

Land (incl costs):	£2,017,688
Build costs 31,046 sq ft @ £90 psf:	£2,794,140
5% contingency	£139,707
Fees @ 10%:	£279,414
Sales & Marketing:	£176,496
S106	£1,219,480
Finance @ 6.0% 19 months:	£264,824
Total development costs:	<u>£6,891,749</u>
=	
<b><u>Profit</u> (26.81% POC / 21.14% on GDV)</b>	<b>£1,848,000</b>



# Example

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## Assume Code Level 4 Spec

### Gross development value (GDV):

Market : 21,500 sq ft @ £330 psf:	£7,099,750
Afford : 9,546 sq ft @ £172 psf:	<u>£1,640,000</u>
Total GDV:	£8,739,750

Less:

### Development costs

Land (incl costs):	£2,017,688
Build costs 31,046 sq ft @ £107 psf:	£3,321,922
5% contingency	£166,096
Fees @ 10%:	£332,192
Sales & Marketing:	£176,496
S106	£1,219,480
Finance @ 6.0% 19 months:	£287,742
Total development costs:	<u>£7,521,616</u>
=	
<b><u>Profit</u> (16.20% POC / 13.94% on GDV)</b>	<b>£1,218,134</b>

# Example

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## Assume Code Level 4 Spec & 10% Sales Premium For Market Housing

### Gross development value (GDV):

Market : 21,500 sq ft @ £363 psf:	£7,808,465	
Afford : 9,546 sq ft @ £172 psf:	<u>£1,640,000</u>	
Total GDV:		£9,448,465

Less:

### Development costs

Land (incl costs):	£2,017,688	
Build costs 31,046 sq ft @ £107 psf:	£3,321,922	
5% contingency	£166,096	
Fees @ 10%:	£332,192	
Sales & Marketing:	£187,127	
S106	£1,219,480	
Finance @ 6.0% 19 months:	£281,893	
Total development costs:		<u>£7,526,398</u>
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<b><u>Profit</u></b> (25.54% POC / 20.34% on GDV)		<b>£1,922,067</b>

# Analysis of Examples

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	<b>Build Regulation</b>	<b>Code 4</b>	<b>Code 4 &amp; Sales Premium</b>
<b>GDV</b>	£8.740m	£8.740m	£9.448m
<b>Dev Costs</b>	£6.892m	£7.522m	£7.526m
<b>Profit</b>	£1.848m	£1.218m	£1.922m
<b>Profit on cost</b>	26.81%	16.20%	25.54%
<b>Profit on GDV</b>	21.14%	13.94%	20.34%

# Questions??

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