

Rhondda Cynon Taf

# Viability Assessment Review – RCT Zones 2 and 3

November 2023

# Contents

1. **Executive Summary**
2. **Terms of Instruction & Purpose of Report**
3. **Avison Young Credentials**
4. **Geographic Allocation**
5. **General Assumptions**
6. **Gross Development Values**
7. **Benchmark Land Values**
8. **Appraisals**
9. **Viability Outcomes**
10. **Conclusions & Limitations**

## Appendices

Appendix 1	INSTRUCTIONS
Appendix 2	SALES VALUES
Appendix 3	LAND VALUES
Appendix 4	VIABILITY ASSESSMENTS
Appendix 5	WORKING SHEET
Appendix 6	FURTHER INFORMATION

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**Contributors:** n/a

**Status:** **FINAL REPORT**

**Draft date:** 29 November 2023

**For and on behalf of Avison Young (UK) Limited**

# 1. Executive Summary

## SCOPE OF INSTRUCTION

- We are instructed by Rhondda Cynon Taf County Borough Council to undertake a general overview review of the viability of residential developments across the County Borough.
- The review is designed to assist the LA in considering the general viability of residential developments across RCT and the barriers to successfully bringing forward suitable candidate sites. Further the review will allow the LA to consider where the provision of affordable housing should be realistically anticipated.
- We confirm we have the expertise and experience to provide this review and confirm we have no conflict of interest in acting on behalf of the client in this regard.

## BREAKDOWN OF VIABILITY

- The viabilities have been assessed in respect of the different geographic areas within the RCT boundary focussed on the Community Infrastructure Levy boundaries adopted by the Local Authority. Our report is for Zones 2 and 3, being Central and South RCT County Borough.
- The report below summarises the issues that impact on viability and provides a background knowledge of where the information has been obtained and the basis of the approach that has been taken to viability in each instance.
- Viability assessments have been completed across the 2 zones, considering on basis of both green and brown field sites.
- Assessments have been completed on the basis of a development from a small site, ranging to a larger housing estate site – these have been sub-divided into 10 unit sites, 25 unit sites, 50 unit sites and 100 unit sites.
- Information has been obtained from the property market as an evidence base supported by our expertise, knowledge and experience.

## REVIEW OF VIABILITY APPRAISAL(S)

- We were asked to consider the areas and provide the client with a realistic picture of the likely viability of each area, considering both smaller and larger schemes across green and brown field sites.
- There is a significant difference as to the viability for a residential development across the County Borough as a whole. This is mainly as a result of the differing sales values achievable driven by localised factors such as proximity to public transport routes, accessibility to main road links and proximity to Cardiff and denser populations to the South.
- Our working sheet attached in appendices provides the breakdown of each separate assessment.
- Assessments are generic and it is important to note that each site differs very significantly in terms of the potential for additional unknown costs impacting on development cost – SUDS, land contamination

and topography being the obvious issues. It is therefore essential that this review is seen as a generic assessment and the viability of a specific site may differ based on these factors.

### **OUTCOME OF REVIEW**

- Our review of the viability shows that the viability for schemes will vary across the County Borough with schemes in Central and South more viable.
- Greenfield sites from 25 units upwards in **Zones 2 & 3** will potentially be policy compliant and viable.
- Brownfield **Zones 2 & 3** sites are likely to be largely viable again if above 25 units.

## 2. Terms of Instruction & Purpose of Report

- 2.1 Our instruction is from Rhondda Cynon Taf County Borough Council (herein called The Client or RCT) to provide advice on the viability of residential developments across the County Borough to inform their approach to development sites when they are brought forward.
- 2.2 The viability review is to consider the areas outlined below in a general sense. On that basis, various generic assumptions have had to be made to provide an informed assessment of the viability to be produced.
- 2.3 The parameters of the instruction and outcome report were to:

### PARAMETERS

Consider the viability of developments within the County Borough based on both generic Greenfield and Brownfield sites being developed for residential accommodation.

Consider the viability of developments within the County Borough based on the assumption of a residential scheme made up of a) 10 units, b) 25 units, c) 50 units and d) 100 units.

Consider the County in separate zones to provide an informed comparison across the County Borough

Provide for an outcome that gives an informed view to the client as to where in the County Borough a residential development would be considered to be viable

- 2.4 Our report is produced in line with the above parameters whilst having a regard to the limitations placed on us in respect of key areas – including not least land contamination and SUDS obligations, and topography all of which are site specific.

### Independence & Impartiality Statement

- 2.5 We confirm that this report and our development appraisals have been prepared by a suitably qualified Chartered Surveyor, who has at all times acted objectively, impartially and without external interference.
- 2.6 The report has been prepared with reference to all the appropriate available sources of information, referenced where appropriate, and without any conflicts of interest. Where generic and general assumptions have been made these are outlined in Section 5 of our report below.
- 2.7 We confirm we have no conflict of interest in providing this report.

### Confirmation of Instructions

- 2.8 The instruction was confirmed by email included in **Appendix 1**. This instruction is in line with the proposal we made in our proposal letter also in **Appendix 1**.
- 2.9 The instruction is on a set fee basis with no performance or contingent fee having been included or agreed.

### Publication & Reliance

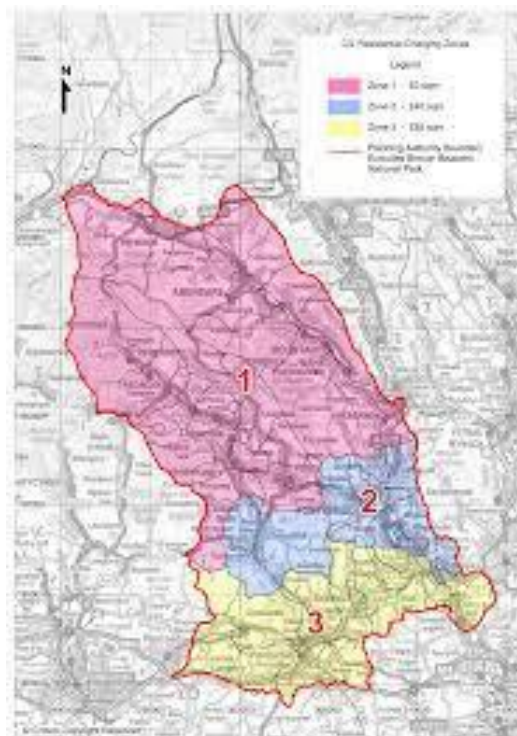
- 2.10 This report is provided in good faith to support Rhondda Cynon Taf in reviewing the viability in general terms for developments across its geographic area.
- 2.11 The report is only for the use of the party to whom it is addressed and no responsibility is accepted for any third party in respect of the report contents. Any such parties rely on the report at their own risk.
- 2.12 In accordance with RICS professional statement this report has been prepared on the basis it may be made publicly available, subject to specific redaction on certain land values that we understand may be commercially sensitive.

### 3. Avison Young Credentials

- 3.1 Avison Young is the world's fastest-growing commercial real estate services firm. Headquartered in Toronto, Canada, Avison Young is a collaborative, global firm owned and operated by its Principals & Directors.
- 3.2 Founded in 1978, with legacies dating back more than 200 years, the company comprises approximately 5,000 real estate professionals in 108 offices in 15 countries. The firm's experts provide value-added, client-centric investment sales, leasing, advisory, management and financing services to clients across the office, retail, industrial, multi-family, residential and hospitality sectors.
- 3.3 Avison Young creates real economic, social and environmental value as a global real estate advisor, powered by people. As a private company, our clients collaborate with an empowered partner who is invested in their success.
- 3.4 Our integrated talent realises the full potential of real estate by using global intelligence platforms that provide clients with insights and advantage. Together, we can create healthy, productive workplaces for employees, cities that are centres for prosperity, and built spaces and places that create a net benefit to the economy, the environment and the community.
- 3.5 The Cardiff office of Avison Young contains a multi-disciplinary team providing a wide range of property services including development advisory, investment agency, occupational agency, leisure agency and cross sector valuation advisory services. The office also benefits from a building surveying, planning and a social housing valuation teams that covers the whole of the UK.
- 3.6 The Cardiff valuation team is made up of 5 MRICS qualified RICS Registered Valuers who have extensive experience across all sectors of the commercial & residential property markets.
- 3.7 This report has been compiled by Tom Merrifield & James Williams both Directors within the Cardiff Office as professional advisors.
- 3.8 Both Tom and James are MRICS and RICS Registered Valuers and have significant experience in providing viability advice across sites in South Wales.

## 4. Geographic Allocation – Rhondda Cynon Taf

- 4.1 Our report is required by the client to address the viability of developments across the region.
- 4.2 The County is made up of a geographic area of approximately 425 square kilometers which includes a number of larger residential conurbations and smaller valleys towns and villages.
- 4.3 To the North, major towns include Aberdare, centrally towns include Pontypridd and Tonypany with Southern towns including Llantrisant.
- 4.4 The CBC has a total population in the region of 250,000 inhabitants. The Council has administrative offices across the county including in Pontypridd town centre.
- 4.5 For the purposes of administrating the Community Infrastructure Levy (CIL) when it came into operation the Council created 3 geographic areas Northern, Southern and East and West.
- 4.6 The intention was that these CIL areas provided a consideration of the viability considerations across the county.
- 4.7 The Southern and Central Southern parts of the RCT boundary is situated on and close proximity to the M4 motorway and in close proximity to Cardiff. Locations in this part of the county serve as commuter zones for the City of Cardiff and benefit from excellent connectivity and transport links.
- 4.8 As a result, residential values are significantly higher than locations in the Northern parts of the County which has a clear impact on the viability of a development site.
- 4.9 The report below provides the summary of the viability based on the **Central and Southern** parts of the County split into 2 zones – **RCT Central and RCT South**.
- 4.10 These two areas are directly associated with the RCT CIL Charging Schedule, essentially being Zones 2 & 3 (as shown below):





Source: RCT CIL Charging Schedule 2014

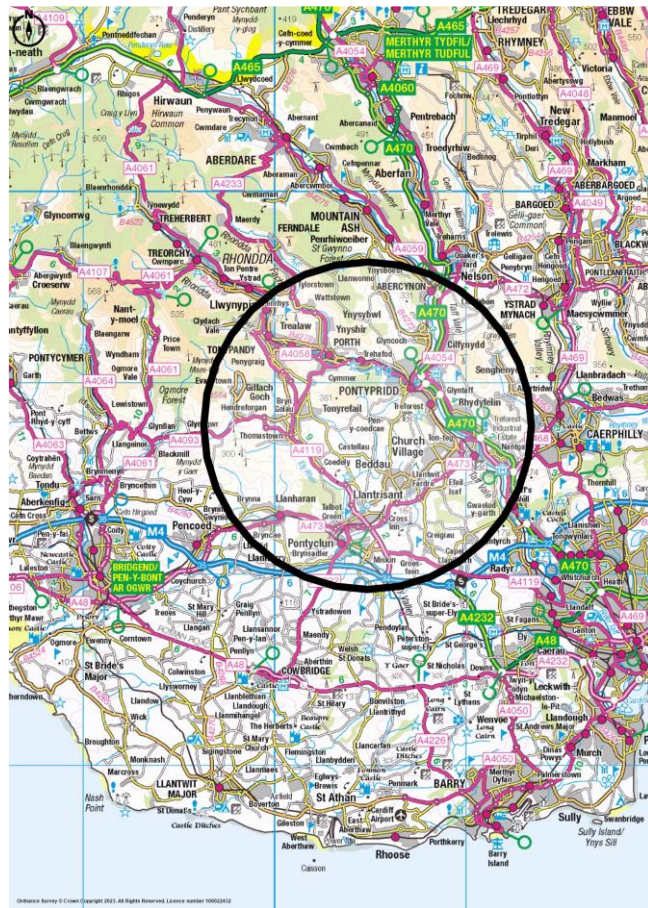
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### **Zone 2**

- 4.11 **Zone 2** is Central RCT. As is to be expected this area is the central part of the County Borough and includes some of the larger conurbations within the County Borough, including the County's largest town, Pontypridd.
- 4.12 The major residential conurbations sit either side of the zone on the East and West edges.
- 4.13 Railway stations within the central zone include both valleys lines which run North to South – splitting as you head North out of Pontypridd. There is no line to the Western part of the central zone.
- 4.14 The central zone is serviced by the A4119 and A470 roads.

### **Zone 3**

- 4.15 **Zone 3** is the Southern part of the RCT county.
- 4.16 This zone is situated adjoining the M4 motorway and includes a number of conurbations including Llantrisant, Talbot Green and Pontyclun.
- 4.17 The zone is located close to the M4 and Cardiff, making it a location which attracts commuters who travel to and from Cardiff on a regular basis.
- 4.18 The Southern zone also holds a railway station on the South Wales mainline, which runs between Cardiff, Swansea and Bridgend.
- 4.19 The zone also has a significant road access network which links onto the M4 motorway and has major access roads along A473, A4119 and the trunk road A470.
- 4.20 Zones 2 & 3 in a regional context is shown on the map below.



## 5. General Assumptions

- 5.1 In order to provide a clear picture of the viability of sites across the specific zones it is necessary to adopt certain assumptions and principles – without doing so the viability would not be assessed on a like for like basis.
- 5.2 It is important to note that the purpose of our report is to provide the client with a general view on viability for the County.
- 5.3 As a result, the only way to provide the like-for-like assessment that has been requested of us is to consider the sites as on a par and disregard certain issues or make generic assumptions on these issues.
- 5.4 There are therefore multiple exclusions to the viability appraisals which would very much be seen as site specific and which would need to be considered in individual site viability appraisals to assess their impact on the viability of that particular site.
- 5.5 Our approach to the viability assessment is based on addressing existing legislative requirements and supported by evidence where available but also coupled with our background experience of similar schemes either in the County Borough or in nearby similar locations elsewhere in South Wales valley locations.

### **GREENFIELD & BROWNFIELD LAND**

- 5.6 For the purposes of this report, the below definitions apply to the land types.
- 5.7 Greenfield Land is considered to be clean land that has not previously been subject to development or designated use. This land is largely anticipated to be land that is situated outside or on the outskirts of a settlement, often but not always agricultural land, but essentially is land that has not had any prior planning designation.
- 5.8 Brownfield Land is land that has previously been subject to development of some kind and had a previous use. The inherent value for Brownfield land lies within this previous or existing use value, usually as employment land, hence the value is higher than that of a Greenfield development site.

### **ASSUMPTIONS**

#### **Affordable Allocations, Section 106 obligations & CIL**

- 5.9 The CIL and affordable housing provision rates are as set out in Charging Schedule dated Dec 2014.
- 5.10 The CIL chargeable rates used are at the rates set with the relevant increases applied and from our discussions with the client.
- 5.11 The affordable housing requirements for the Central and Southern part zones are set at 20% on developments which are made up of 5 units or more.

## **MARKET TESTED DEVELOPMENT ASSUMPTIONS**

### **Build Costs**

- 5.12 Building costs used are based on the latest BCIS datasets available at the time of our report. We have used these datasets using regional variances although the same regional datasets would apply to each of the 2 zones being considered.
- 5.13 The approach we have adopted in respect of build costs is then varied to reflect the scale of the development which is being assessed. It is considered that a smaller development will be more costly per sqm/sqft. than a larger scale development – including variation for the buying power of a larger building consortium – and there would be a price point difference.
- 5.14 As a result, the build cost rate would be adjusted in line with BCIS. We feel this is a sensible and realistic approach.
- 5.15 The detailed breakdown in our appendices provides a summary of each of the BCIS indices we have adopted in regard to build costs.

## **ABNORMALS**

### **Part L**

- 5.16 Part L are energy efficiency regulations to create low carbon efficient homes.
- 5.17 The rate we have applied is based on experience of other nearby or South Wales wide developments and is adopted at £5.00 psf flat rate across each category and zone.

### **Sprinklers**

- 5.18 The rate we have used is again based on experience of other schemes in the South Wales area and market knowledge.
- 5.19 We have adopted a rate per unit for the purposes of viability.
- 5.20 We have considered that a quantum discount should be applied to vary the cost rate between the smaller and larger schemes, with a variance of £1,000 per unit between each.
- 5.21 We have therefore adopted a rate of £5,000 per unit in respect of smaller developments which is subsequently reduced to £4,000 per unit in regard to larger developments.

## **OTHER ASSUMPTIONS**

### **Profit Levels Assumption**

- 5.22 The level of profit demanded by a developer obviously varies from business to business with some having a more bullish view of profit and other a more conservative approach on the profit they require from a completed development. This tone and view will obviously vary from region to region.

- 5.23 Profit is clearly driven largely by the confidence in the likely success of a scheme and factors including sale values, length of time for completion of the unit sales, etc. Location tends to be the largest factor – well located sites driving a more aggressive approach on profit. It is therefore very appropriate that a differing view will be taken to profit level in different parts of the county borough.
- 5.24 We have considered the profit at a split rate with the smaller developments being at 20% and larger being 15% as a quantum discount for scale.

### **Preliminaries**

- 5.25 We have allocated a set rate psf across all the size ranges across the 4 site assessed sizes, at a rate of £15 psf. Again this view fits in with other nearby or South Wales developments.

### **Professional Fees**

- 5.26 The fees levels we have attributed in our appraisals has varied dependant on scale. It is our expectation that professional advisors (agents and legal advisors) would tailor their fee levels to meet the scale of the purchase of the land and the quantum of fees in respect of unit disposals for legal fees.
- 5.27 A larger purchase will generate a smaller percentage fee basis. This is market normal.
- 5.28 We have therefore made the assumption that realistic fees on land acquisition and legals on purchase for smaller sites sit at 2% and 1.5% respectively for smaller sites, with fees for larger sites being 1% for both agent and legals.
- 5.29 We are confident that fees of this level reflect the true market levels. This has been tested through our own professional knowledge and experience.
- 5.30 We have allocated fees for planning & design and project management, both of which would be required in any development. Again, there is no hard and fast rule for the fee levels for developments and therefore a varied approach was taken for smaller and larger scale developments.

### **Finance Rates**

- 5.31 The current outlook for development finance remains extremely turbulent as the global economy falters and interest rates steadily rise in the face of stubborn inflation. At the time of writing, whilst inflation has dropped it remains above the Europe zone general level and interest rates stand at 5.25%, a rise on an incremental basis over a period of 14 months.
- 5.32 The uncertainties around the next 6-9 months and when economic growth will return continues to have an extremely negative impact. The combination of the Russian invasion of Ukraine combined with cost-of-living crisis and inflation will continue to stifle the markets.
- 5.33 There is no hard and fast rule that can be applied to finance rates being used and the rates vary drastically based on size of development, location, developer, etc.
- 5.34 Having knowledge of the funding sector through other ongoing schemes and bank lending we have applied what we consider to be a fair reflection of the rates available. The rates differ between the larger and smaller sites – this is to reflect a combination of our belief that a smaller scheme is likely to be driven by smaller local developers, and a larger scheme offering a higher return.
- 5.35 We have applied finance rates at 9% on smaller schemes with 6.5% on larger developments. Our general experience and knowledge of finance is supported by regular engagement with the main lenders active in the development market and underpins the approach and levels we have adopted.

## **EXCLUSIONS**

- 5.36 There are a number of key elements that a viability assessment would normally include that are not included in our appraisals. As we have discussed and as noted above, these issues will have a very fundamental impact on the viability of a development.
- 5.37 It is not possible to quantify in a generic viability appraisal certain elements which would have an impact on the end value and resultant viability of a scheme and, without inclusion, **the appraisals we have produced should in every case**, be considered as “subject to inclusion” of these costs or confirmation that these costs are not applicable. The impact of each of these cannot be over emphasised.

## **Land Condition, Stability & Contamination**

- 5.38 We have already noted above the impact of land variances across the County Borough. RCT is a South Wales valleys Local Authority and significant areas where mining will have been prevalent and will have brought with it significant ground stability issues, together with risk of contamination. Further risks of contamination will potentially exist from historic uses beyond mining.
- 5.39 These areas carry significant remediation and ground stabilising costs which eat heavily into a profit and therefore into the viability of a development.
- 5.40 The site specific nature of land issues means that, in the instance of both green and brownfield developments, it is not possible to make a generic assumption and simply adopt a sum or figure to be allocated or included.

## **Future Homes**

- 5.41 The Future Homes legislation has yet to come in force across Wales but, when/if brought into being, will have an impact on development viability as there is an inevitable impact on construction costs.

## **SUDS & SABS**

- 5.42 The SUDS legislation is in place in Wales has added significant cost burden onto many developments. Costs are added onto headline costs and therefore impact viability.
- 5.43 The financial impact of these elements of a development are again very much site specific and there is no hard and fast cost rule that can be applied “across the board” to allocate within a viability appraisal.
- 5.44 Differing sites have different variables which have a bearing on the impact of SUDS & SABS and the resultant costs they will create and add onto the developers costs.
- 5.45 As a result the costs implication of SUDS and SABS would need to be considered over and above the appraisals we have produced in site specific viability assessments.

## **LTT**

- 5.46 LTT is a site specific tax cost and is borne by the developer based on land acquisition cost. It is therefore site specific based on land cost.

## 6. Gross Development Values (GDV)

### HOUSING SCHEMES

- 6.1 In order to provide an accurate picture on residential property values across the 2 zones, we needed to conduct a comprehensive review of the values achieved and most recent sales data sets available for each area and zone.
- 6.2 To provide an accurate picture of the market we sought to, where possible, obtain information on both larger and smaller developments, ideally from not only the larger multiple developers and house builders with active and current schemes “onsite” but also from smaller active local developers of which there are a number currently active across the County area, but not necessarily in the actual zone area.
- 6.3 This task was not an easy one and readily available information which provided a basis for us to draw comparisons – in particular having a square footage area of a building, meaning in some cases direct comparisons could not be gained. Without a sqft area it is not possible to create a sales value per square foot to use in viability.
- 6.4 It was not therefore surprising that the majority of the available data that was usable was to come from the larger multiple developers and house builders.
- 6.5 In general terms whilst there was not a very significant data set available for multiple schemes across the zones, information was readily available for analysis to assist us in reaching conclusions on GDV.
- 6.6 Data was used from the following developments as being the most recent either development or ongoing developments, either onsite or having recently completed. Accurate information on some developments can be difficult to obtain where smaller developers are developing accommodation.

ZONE 2 - CENTRAL	ZONE 3 - SOUTHERN
<p><u>Woodlands Green, Tonyrefail</u></p> <p>An exclusive development of 2,3 &amp; 4 bed homes in close proximity to the town with good main road access.</p>	<p><u>Llanilid, Llanharan</u></p> <p>A development of 3, 4 and 5 bedroom homes in close proximity to M4 motorway and Llanharan to the South of the County.</p> <p><u>Llantwit Fadre</u></p> <p>A national multiple led development of new houses on the edge of the town centre</p>

- 6.7 **Appendix 2** includes a more detailed breakdown of the sales values we have adopted for each zone which is discussed in more detail further below. This appendix also includes the marketing particulars for schemes we consider to be a comparison.
- 6.8 Note that the proximity between Woodlands Green and Llantwit Fadre is only some 5 miles and therefore values are likely to be largely the same irrespective of which zone they lie within.
- 6.9 Note also that the Woodlands Green development is for high quality homes which, in our opinion, are both larger and of higher specification than a traditional new build home. We have therefore adjusted

the rates psf to reflect this consideration, whilst also having an awareness of the comment in point 6.8 above.

### **HOUSING MIX**

- 6.10 The housing mix has a bearing on the scale of a development and achievable values and GDV.
- 6.11 To address the generic nature of the work we have had to make certain assumptions as to the likely mix of housing that each site size would adopt. In order to reach this opinion, we have used a mix of our market experience and knowledge, coupled with other existing viability reviews we have or are undertaking South Wales wide.
- 6.12 We are also closely engaged with house builders and developers across various sites in South Wales area which we have used to create what we believe to be a fair assumption of the mix to be used in our review.
- 6.13 The mix we have adopted varies from site to site based on the number of units being developed.
- 6.14 An assumption of a traditional housing development was made, based on other schemes that are developed across South Wales, and therefore no allowance made for 1 bedroomed sites.
- 6.15 In the case of smaller sites – up to 10 units - it is a safe assumption that to maximise value, the developer would be looking to build a higher proportion of larger sized units.
- 6.16 As the scale of the site rises, the mix would be more blended, so larger sites would have a higher proportion of mid ranged house units. This is not least because of the larger number of affordable allocation units on these sites.
- 6.17 The housing mix we adopted for each of the viability reviews completed was as follows:

<b><u>10 units</u></b>			sqft			<b><u>25 units</u></b>			sqft		
1 bed	0		1 bed	0	0	1 bed	0	1 bed	0	0	
2 bed	0		2 bed	0	0	2 bed	8	2 bed	600	4800	
3 bed	3		3 bed	850	2550	3 bed	9	3 bed	850	7650	
4 bed	4		4 bed	1100	4400	4 bed	5	4 bed	1100	5500	
5 bed	3		5 bed	1300	3900	5 bed	3	5 bed	1300	3900	
<b>TOTAL</b>	<b>10</b>		<b>TOTAL</b>		<b>10850</b>	<b>TOTAL</b>	<b>25</b>	<b>TOTAL</b>		<b>21850</b>	
<b><u>50 units</u></b>						<b><u>100 units</u></b>					
1 bed	4		1 bed	500	2000	1 bed	10	1 bed	500	5000	
2 bed	12		2 bed	600	7200	2 bed	25	2 bed	600	15000	
3 bed	16		3 bed	850	13600	3 bed	30	3 bed	850	25500	
4 bed	12		4 bed	1100	13200	4 bed	35	4 bed	1100	38500	
5 bed	6		5 bed	1300	7800	5 bed	10	5 bed	1300	13000	
<b>TOTAL</b>	<b>50</b>		<b>TOTAL</b>		<b>43800</b>	<b>TOTAL</b>	<b>100</b>	<b>TOTAL</b>		<b>97000</b>	



### **UNIT SIZES**

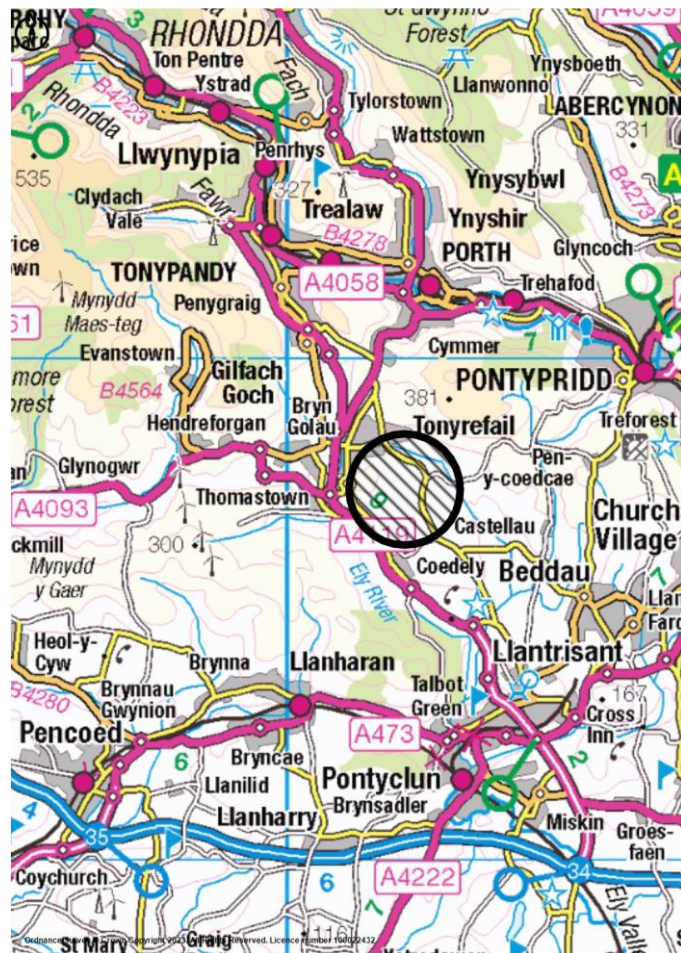
- 6.18 The table above also includes the unit size sqft that have been adopted in our reviews.
- 6.19 The unit sizes are another factor that impacts on GDV of a site. House prices achieve psf sales figures and scale impacts on the value achieved.
- 6.20 In order to create a realistic blend, we have reviewed the various sites being developed across the county to ensure we reflected the unit sizes in our viability review.
- 6.21 The information we found was supported by our market knowledge of the active developers in the South Wales region and the scale of developments that are under construction.
- 6.22 We sought to limit the variance of the unit sizes between larger and smaller sites to ensure a comparison. We believe that the proportion of each house type would be largely the same, irrespective of the scale of the site or the number of units being developed on that specific site.
- 6.23 If we had adopted varying sized houses for each of the 4 separate development scales, this would have provided a more distorted picture across the region and would not provide what we considered to be a usable report.

### **UNIT VALUES**

- 6.24 As noted above, the unit values we have used are, where available, based on factual evidence of ongoing developments that are or have taken place in the zones.
- 6.25 Where comparable unit sales values were available, we were able to discuss sales information with developers or agents to understand how realistic quoting prices are performing on the schemes underway and the rate at which units were selling.
- 6.26 A rate psf was adopted for each region which was used to provide the headline unit values.
- 6.27 This was then "sense checked" against a realistic value of a larger and smaller 4 bedroom house for this region to ensure it was where market values were positioned.

### **Zone 2**

- 6.28 The headline psf value figure we reached for Zone 2 was set at **£285 psf**.
- 6.29 We have noted already there was an element of available comparables for unit values across this central RCT zone.
- 6.30 Woodands Green in a development that has taken place in Coedely, South of Tonyrefail towards the centre of RCT.
- 6.31 This development is being undertaken by a regional residential developer, Lewis Homes. The mix of housing across the site ranges from 2 – 4 bedroom homes being mix of detached and semi-detached new homes. The price that was paid for this site, as noted in our appendices, reflects a site which has the benefit of planning consent and will have been suitably adjusted to reflect any other site-specific issues such as ground conditions, etc.

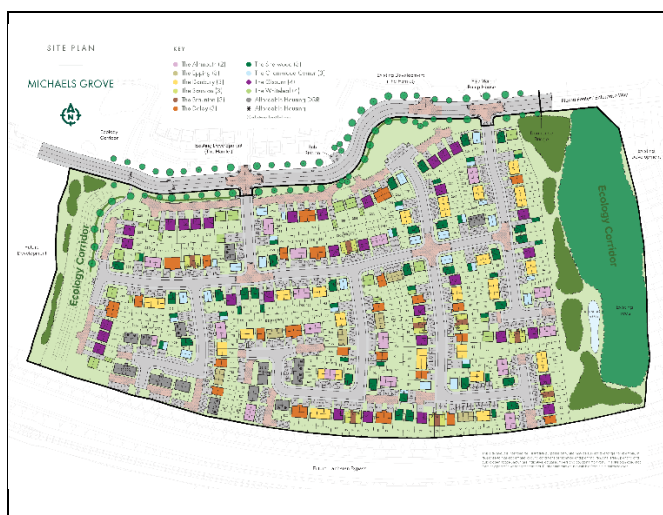
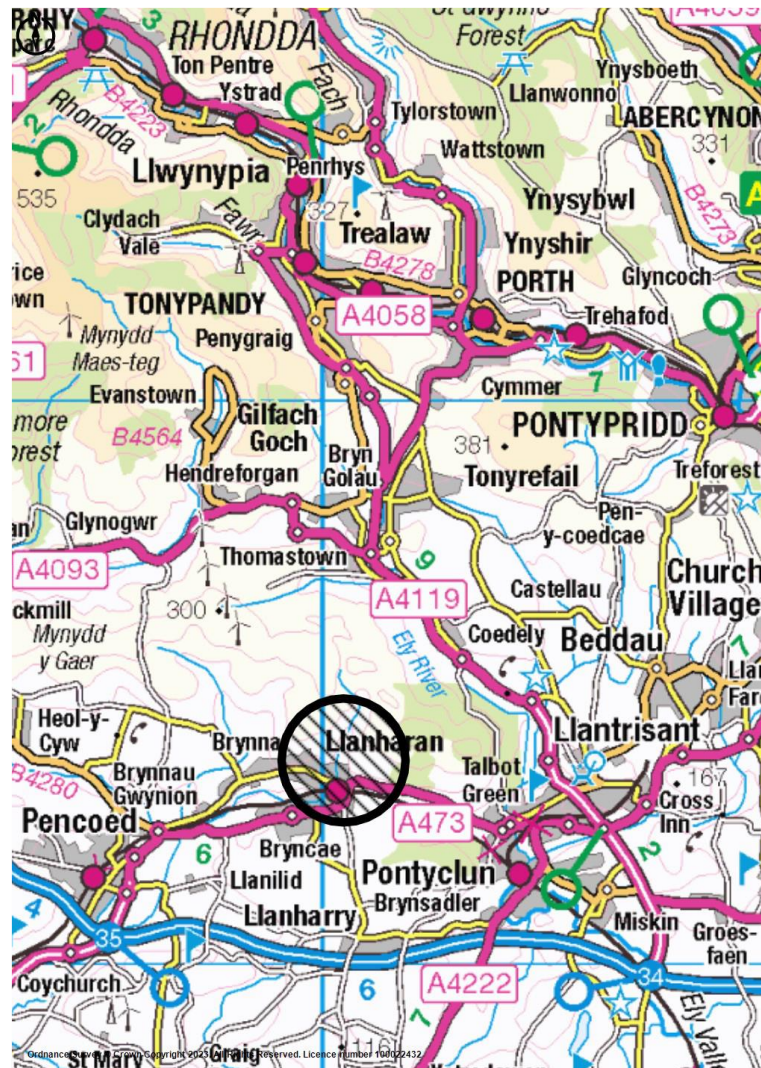


- 6.32 The quoting sales price for this development is at circa £245 psf, which as noted has been adjusted to reflect the high specification of finishes.

### Zone 3

- 6.33 There are active developments underway in Zone 3 which provide a current and active accurate picture of values.
- 6.34 The development at Llanharan, provides us with a live active development on the market comparable from which we could provide active values for the zone.

- 6.35 The development is made up of mixed sized homes ranging from 2 – 5 bedrooms.
- 6.36 The development is being built undertaken by Persimmon, a national multiple house builder developer in the region with extensive experience and market facing knowledge.
- 6.37 House values on the current phase range from £199,995 to £329,995.



6.38 Values on this development range from £280 to £328 psf.

6.39 **Appendix 2** provides a summary of unit values quoted for this zone generally.

6.40 Our consideration for Zone 3 was therefore to adopt a unit value of **£310 psf**.

## 7. Benchmark Land Values

- 7.1 Land value data sets were obtained from a number of sources to ensure we have a cross referencing for benchmark land values for the review.
- 7.2 This provided us with a picture of land values across the zones. In some cases it will have been necessary to consider areas that may lie outside the zone but were in sufficiently close a proximity that they provided a supporting evidence.
- 7.3 The benchmark land values we have adopted are supported by the evidence available based on the principle of Existing Use Value plus a premium, being 10% in line with market normal and RICS guidance.
- 7.4 Land values are from sites that are on market or transacted where information is available.
- 7.5 Our research ensured that there is a realistic view or opinion on the benchmark land values, which is the supported by factual evidence where available.
- 7.6 The evidence we have obtained has given us a general view on not only land values per acre, but also generally plot values across the county.
- 7.7 The benchmark value is considered to be the level at which a developer would transact in a sale and therefore any value that is in excess of this BLV figure would be additional revenue for the development viability.
- 7.8 It is important to note that the BLV is not a number that can be adopted as a cover-all sum, and different developments and different developers have differing aspirations on value.
- 7.9 Also, to note is BLV is not a value with the benefit of planning consent for residential development.

### **LAND VALUES COMPARISON**

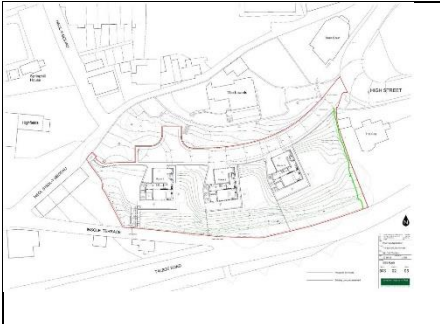

- 7.10 The land value sales data we obtained in our market research is evidenced in **Appendix 3** of this report.
- 7.11 This data covers land values across the whole of the RCT county due to the limited availability of direct comparables in some instances.
- 7.12 **We would stress that some of the information contained in this document is commercially sensitive and we ask that the evidence is treated confidentially. Where sensitive this information has been redacted.**
- 7.13 Land values across the county borough unsurprisingly vary drastically but tend to fit in with the general tone of being much higher in the Southern parts, dropping in the centre and then much lower in the Northern parts of the County.
- 7.14 The availability of transactions varies across the county and the values for smaller development sites are proportionately higher than for larger schemes. This is usual.
- 7.15 Looking at areas specifically we have approached in a manner to seek to secure what we believe to be sensible "average values", based on what we would consider to be sensible residential schemes in each area.

- 7.16 The table in **Appendix 3** shows the comparables we have available and that have been considered and the approach to give us a true per acre value.
- 7.17 There are a few areas where there was a risk of the average acreage values being distorted by certain transactions, so a clear appraisal of individual sites was considered to ensure there was what we felt to be true value shown.
- 7.18 The benchmark land values we have used are as follows:

		Per acre Larger	Per acre Smaller
<b>Zone 2</b>	<b>Greenfield</b>	<b>£4,000</b>	<b>£15,000</b>
	<b>Brownfield</b>	<b>£225,000</b>	<b>£250,000</b>
<b>Zone 3</b>	<b>Greenfield</b>	<b>£7,500</b>	<b>£20,000</b>
	<b>Brownfield</b>	<b>£225,000</b>	<b>£275,000</b>

- 7.19 Land values are fairly consistent across the County Borough generally and fit where we believe they are likely to lie in that there is a variance across the different zones.
- 7.20 The only variance in values is when consideration is given to scale with larger sites demanding lower per acre values.
- 7.21 Where evidence is available, outlined in the appendices, we have made adjustment to consider the specifics of each comparable transaction.
- 7.22 In general terms also, the values elsewhere in the RCT area have also been considered.
- 7.23 Further land evidence for the region which is on the market:

Location	Size	Price
Land at Porth, CF39 	2.16 acres Agricultural woodlands	Agricultural land £15,000
Land at Llantrisant, Pontyclun	Land with planning for 3 executive large homes	£375,000

		
<p>Gwaelod y Garth</p> 	<p>0.046 acres – planning for a 3 bed roomed dwelling</p> <p>Edge of RCT location</p>	<p>£130,000</p>

## Zone 2

- 7.24 The available evidence for larger development sites is limited.
- 7.25 The evidence we have managed to find has demonstrated to us what we consider to be an average land value per acre at **£250,000** with this number being based on an assumption of the additional values on the specific subject comparison site we are using.
- 7.26 Further information is available within the appendices.

## Zone 3

- 7.27 The available comparisons for land values in this location was again limited.
- 7.28 The figure adopted at **£225,000 - £275,000 per acre** is reflective of the true average value we have sourced from evidence and adjusted where appropriate.

## 8. Appraisals

- 8.1 We have detailed below the approach taken to the viability appraisals for the 2 zones.
- Our appraisal provides for the GDV of each of the viabilities for each of the zones;
  - With costs then deducted on the basis of the above criteria, this provided a resulting Residual Land Value (RLV) after an assumption has been made on developers profit.
- 8.2 We have cross referenced the RLV with market comparable land values from across the County which are made up of actual land transactions we are aware of having been completed, providing us with what we would consider to be the Benchmark Land Value (BLV).
- 8.3 Our dataset for the BLV data is as outlined in our section 7 commentary above.
- 8.4 The appraisals for each of the zones are provided in **Appendix 4** of this report. The appraisals are reflective of where we anticipated the viability would lie in each of the zones.
- 8.5 The appraisals are provided for both zones and for the greenfield and brownfield site options.
- 8.6 The appraisals are also then divided into the development site sizes as we have outlined above, for smaller 10-25 units sites and then larger sites of 50 and 100 units.



## 9. Viability Outcomes

- 9.1 The general viability appraisals that we have produced provide a breakdown as to where an assumed development, subject to the variances and the exclusions noted above, would and/or would not be viable in the zones.
- 9.2 Our assessments provide for a smaller, medium sized and larger development in each zone as we have already outlined.
- 9.3 Our original opinion was that development in these 2 zones would be difficult to make viable for smaller ranges but in larger scale development would likely be viable and policy compliant. With development taking place in both of these zones this is a fair assumption.

### **GREENFIELD DEVELOPMENT VIABILITY**

- 9.4 The outcome provides for the following results in terms of what is and is not viable in the 2 zones:

Development Size	Zone 2	Zone 3
10 units	BLV: £15,000 PER ACRE RLV: <b>-£652,689 PER ACRE</b> VIABILITY: NO AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>	BLV £20,000 PER ACRE RLV: <b>-£517,588 PER ACRE</b> VIABILITY: NO AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>
25 units	BLV: £15,000 PER ACRE RLV: £144,546 PER ACRE VIABILITY: Marginal AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>	BLV: £20,000 PER ACRE RLV: £280,582 PER ACRE VIABILITY: Marginal AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>
50 units	BLV: £4,000 PER ACRE RLV: £361,992 PER ACRE VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Likely to be achievable</b>	BLV: £7,500 PER ACRE RLV: £499,858 PER ACRE VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Policy Compliant</b>
100 units	BLV: £4,000 PER ACRE RLV: £424,481 PER ACRE	BLV: £7,500 PER ACRE RLV: £561,875 PER ACRE

	VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Likely to be achievable</b>	VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Policy Compliant</b>
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9.5 These outcomes are largely in line with our original aspiration of the viability of a development across each of the 2 zones.

### **BROWNFIELD DEVELOPMENT VIABILITY**

9.6 The outcome provides for the following results in terms of what would be considered to be viable in regards to Brownfield development land across each of the 2 zoned areas:

Development Size	Zone 2	Zone 3
10 units	BLV: £15,000 PER ACRE RLV: <b>-£652,689 PER ACRE</b> VIABILITY: NO AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>	BLV £20,000 PER ACRE RLV: <b>-£517,588 PER ACRE</b> VIABILITY: NO AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>
25 units	BLV: £15,000 PER ACRE RLV: £144,546 PER ACRE VIABILITY: Marginal AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>	BLV: £20,000 PER ACRE RLV: £280,582 PER ACRE VIABILITY: Marginal AFFORDABLE HOUSING MARGIN: <b>Likely to be unachievable</b>
50 units	BLV: £4,000 PER ACRE RLV: £361,992 PER ACRE VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Likely to be achievable</b>	BLV: £7,500 PER ACRE RLV: £499,858 PER ACRE VIABILITY: LIKELY AFFORDABLE HOUSING MARGIN: <b>Policy Compliant</b>
100 units	BLV: £4,000 PER ACRE RLV: £424,481 PER ACRE VIABILITY: LIKELY	BLV: £7,500 PER ACRE RLV: £561,875 PER ACRE VIABILITY: LIKELY

	AFFORDABLE HOUSING MARGIN: <b>Likely to be achievable</b>	AFFORDABLE HOUSING MARGIN: <b>Policy Compliant</b>
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- 9.7 Again, these outcomes are largely where we expected viability to stand.
- 9.8 **Appendix 5** attached provides a pdf copy of the full working sheet and additional information for the viability assessments we have completed.

## 10. Conclusions & Limitations

- 10.1 Our viability appraisals provide a high-level analysis of the viability of a development in each zone based on various factors.
- 10.2 We have outlined the basis of the assumptions we have made on these factors in our summary document above. These assumptions are based on our experience and market knowledge of the approach a developer would take in respect of residential development.
- 10.3 As we have outlined, there are a number of key factors on which it is not possible to make generic assumptions. These factors impact value – in some cases very significantly. The factors are site specific and would need to be individually considered in viability assessments completed on any individual sites.**
- 10.4 Our report should therefore be read with a full awareness that these site-specific factors need to be known before a site viability can be accurately assessed, rather than the report considered as appropriate to any individual particular site.**
- 10.5 Viability for residential development across the RCT county varies dramatically based not only on location but on scale.
- 10.6 It is our view that any active larger multiple house builder or smaller regional housing developer is very likely to consider developments in Zones 2&3, even where marginal.
- 10.7 In general terms for reference, there is a circa 30% variance between values of new build homes across the County Borough, with Southern parts achieving much higher sales values due to a mixture of reasons including proximity to motorway access, accessibility onto public transport links and proximity to Cardiff. This would drive demand from house builders and residential developers.
- 10.8 In contrast to the North of the County Borough, in the Southern and Central zones viability can, in general terms, be demonstrated both on green and brownfield sites. Smaller sites are more challenging but any site that is developed with in excess of 10 units, which is policy compliant, would be potentially compliant with the affordable policy requirements subject to the more information around the impact of unknown cost factors.
- 10.9 To the Northern part of the county, there is a much higher impact on the viability of schemes where values are much lower as identified above. This impacts profit and resultant land value and forces most sites into a negative viability even before considering is given to other factors such as land conditions, etc.
- 10.10 It would be our recommendation that any viability assessment of a site is supported by detailed supporting information around issues noted above that have an impact on viability.
- 10.11 **Appendix 6** contains any further relevant information which has been compiled and used in this research for point of reference.
- 10.12 The residential market is at something of a stagnation and signs are that house prices have turned in some regions. There are a combination of market factors that are impacting the sector – a weak economy, a rise in interest rates that has driven up mortgage costs significantly and high inflation that is hitting pockets and reducing households spending power.

10.13 The outlook is that interest rates will remain at their current levels for the foreseeable future and inflation has stabilised but is likely to rise again in winter months. These issues will further hit household pockets and impact on the economic outlook.

## Appendix 2

## SALES VALUES

**WOODLANDS GREEN, TONYREFAIL**

<b>House Type</b>	<b>Beds</b>	<b>Status</b>	<b>SQFT &amp; PSF</b>
Thornbury	4	£379,950	1,209 £314
Roxbury	4	£367,950	1,159 £317
Hyatt	3	£249,950	842 £296
Rochester - detached	3	£282,500	842 £335
Thornbury	4	£379,950	1,209 £314
Thornbury	4	£379,950	1,209 £314
Burnaby	3	£287,950 inc carpet package *See Sales Advisor for further details*	852 £337
Burnaby	3	£284,950 inc carpet package *See Sales Advisor for further details*	852 £337

**LLANTWIT FADRE – LARGER DEVELOPMENT**

## COED DERW

THE POTTER	2 BED SEMI 778 SQFT £239,995 = £308 PSF
THE TAILOR	3 BED SEMI 883 SQFT £259,995 = £294 psf
THE CHANDLER	3 bed detached 988 sqft £309,995 = £314 psf
THE SCRIVENER	4 BED DETACHED 1,261 SQFT £389,995 = £309 PSF
THE CUTLER	4 BED DETACHED 1,510 SQFT £424,995 = £281 SQFT
THE PHILOSOPHER	4 BED DETACHED 1,571 SQFT £482,995 = £307 PSF

**LLANILID, LLANHARAN – LARGER DEVELOPMENT**

THE ALNMOUTH	2 BED MID TERRACE 608 sqft. £199,995 = £328 PSF
THE DANBURY	3 bed mid terrace 750 sqft. £234,995 = £313 PSF
THE SAUNTON	3 bed semi-detached – 3 storey 911 sqft. £249,995 = £280 PSF
THE CHARNWOOD CORNER	3 bed detached 931 sqft. £304,995 = £327 PSF
THE SHERWOOD	3 bed 984 sqft. £302,995 = £310 PSF
THE GISBURN	4 bed detached 1,084 sqft. £329,995 = £304 PSF



## Appendix 3 – Land Values

<b>RHONDDA CYNON TAF</b>								Sections redacted for confidentiality	
Property Description	Purchaser	Date	Total	Area	Dwellings	Value /acre	Plot value		
<b>Cydon - Zone 1b</b>									
						£79,487			
						£156,716			
						£152,387			
						£311,518			
						£123,457			
						£130,222			
						£207,972			
						<b>Acre Average</b>	£165,966		
						<b>True Acre Value</b>			£223,959.25
Property Description	Purchaser	Date	Total	Area	Dwellings	Value /acre	Plot value		
<b>Rhoada - Zone 1a</b>									
						£108,636			
						£181,159			
						£100,671			
						£340,909			
						£212,766			RSL flats
						<b>Acre Average</b>	£188,840		
						<b>True Acre Value</b>			£150,823.04
Property Description	Purchaser	Date	Total	Area	Dwellings	Value /acre	Plot value		
<b>Central</b>									
						£173,750			
						£250,000			
						<b>Acre Average</b>			
						<b>True Acre Value</b>			£250,000.00
Property Description	Purchaser	Date	Total	Area	Dwellings	Value /acre	Plot value		
<b>Southern</b>									
						£541,935			
						<b>Acre Average</b>	£0		
						<b>True Acre Value</b>			£541,935.48

Appendix 4

VIABILITY ASSESSMENTS





**Appendix 5**

**WORKING SHEET**



**RHONDDA CYNON TAF  
VIABILITY ASSESSMENT REVIEW**

Assumption	Acres	Units
Large Site		30 & 100 units
Smaller Site		10 & 25 units

CIL RATE		SQM	SQFT
		0	0
Zone 2	Northern	£61.92	£5.75
Zone 3	Southern	£131.38	£12.22

S106	General	£0.00	£0.00
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Affordable	Northern	10% on 10 units or more
	Southern	20% on 5 units of more

**Benchmark Land Value Cross Reference**

RICS - EUV plus assessment - using 10% plus rate

Area	Location	Brown	Green
		Area 1a	Cynon Valley
Area 1b	Rhondda Valley	See workbook sheet	
Area 2	Central	See workbook sheet	
Area 3	Southern	See workbook sheet	

Zone 1a	Rhondda
Zone 1b	Cynon
Zone 2	
Zone 3	

**Market tested assumptions being used on deductables**

**Larger Sites**

	Rate
Abnormals	Ground Conditions
	Part L costs
	Sprinklers
	SUDS/SABS
	Future Home Standards

Acquisition Costs	Legal Costs	1%
	Agent Costs	1%
	LTT	

Fees	Planning & Design	£150,000
	Project Management	6%
	Prelims	£10.00 psf

Building Regs	3.00%
Finance	6.50%
Sales Agent	0.80%
Sales Legal	0.50%
Sales & Marketing	£250,000

Contingencies	5%
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**Smaller Sites**

	Rate
Abnormals	Ground Conditions
	Part L costs
	Sprinklers
	SUDS/SABS
	Future Home Standards

Acquisition Costs	Legal Costs	1.50%
	Agent Costs	2%
	LTT	

Fees	Planning & Design	£50,000
	Project Management	£25,000
	Prelims	£15.00 psf

Building Regs	4.00%
Finance	9.00%
Sales Agent	1.50%
Sales Legal	1.00%
Sales & Marketing	0.00%

Contingencies	5%
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**Appraisals exclusions - site by site specific**

Land condition specific  
SUDS/SABS  
Future Homes Standards - not yet adopted in Wales  
Topography

LTT - dependant on land value

Rates based on current lending criteria

Profit

15%

Profit

20%

<u>House Values Rate PSF</u>				4 bed small	4 bed large
Area		SQM	SQFT	1100 sqft	1300
1a - Rhondda		£2,314.05	£215	£236,500	£279,500
1b - Cynon		£2,636.94	£245	£269,500	£318,500
Central		£3,067.46	£285	£313,500	£370,500
Southern		£3,336.53	£310	£341,000	£403,000

Housing Mix - based on cross reference of similar schemes across SW

Larger sites		Small sites				
Units	%	Units	%	Units	%	
1 bed	0	1 bed	0	0	0	no allowance made for 1 bed as considering traditional housing sites
2 bed	33	2 bed	0	0	0 inc 3 AFF	
3 bed	32	3 bed	3	30	inc 4 AFF	in Southern assumed 2 affordable at 3 bed sized
4 bed	28	4 bed	4	40	inc 3 AFF	
5 bed	5	5 bed	3	30		
<b>TOTAL</b>	<b>100</b>	<b>TOTAL</b>		<b>100</b>		

<u>10 units</u>		sqft		<u>25 units</u>		sqft	
1 bed	0	1 bed	0	1 bed	0	1 bed	0
2 bed	0	2 bed	0	2 bed	8	2 bed	600
3 bed	3	3 bed	850	3 bed	9	3 bed	850
4 bed	4	4 bed	1100	4 bed	5	4 bed	1100
5 bed	3	5 bed	1300	5 bed	3	5 bed	1300
<b>TOTAL</b>	<b>10</b>	<b>TOTAL</b>	<b>10850</b>	<b>TOTAL</b>	<b>25</b>	<b>TOTAL</b>	<b>21850</b>

<u>50 units</u>		sqft		<u>100 units</u>		sqft	
1 bed	4	1 bed	500	1 bed	10	1 bed	500
2 bed	12	2 bed	600	2 bed	25	2 bed	600
3 bed	16	3 bed	850	3 bed	30	3 bed	850
4 bed	12	4 bed	1100	4 bed	35	4 bed	1100
5 bed	6	5 bed	1300	5 bed	10	5 bed	1300
<b>TOTAL</b>	<b>50</b>	<b>TOTAL</b>	<b>43800</b>	<b>TOTAL</b>	<b>100</b>	<b>TOTAL</b>	<b>97000</b>



**Based on BCIS - REBASED MID GLAMORGAN**

**BCIS Date:**

Median - detached 1 off builds	Upper Quartile - Estate Housing Generally	Mean - Estate Housing Generally	Mean - Estate Housing Generally
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**BCIS PSF RATES**

	10 UNITS	25 UNITS	50 UNITS	100 UNITS
Zone 1a	£204.00	£135.00	£123.00	£123.00
Zone 1b	£204.00	£135.00	£123.00	£123.00
Zone 2	£204.00	£135.00	£123.00	£123.00
Zone 3	£204.00	£135.00	£123.00	£123.00

<u>Benchmark Land Values per zone</u>		<u>EUV plus Comparables</u>	
		<u>Per acre Larger</u>	<u>Per acre Smaller</u>
Zone 1a	Greenfield	£3,000	£15,000
	Brownfield	£100,000	£125,000
Zone 1b	Greenfield	£3,000	£15,000
	Brownfield	£200,000	£225,000
Zone 2	Greenfield	£4,000	£15,000
	Brownfield	£225,000	£250,000
Zone 3	Greenfield	£7,500	£20,000
	Brownfield	£225,000	£275,000



# Contact details

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