



Hart District Council

Viability Findings Note

Impact of social rented homes on development viability

September 2024

Three Dragons

	Document control sheet
Project name	Hart DC – viability addendum
Project reference	1243
Report status	Final Report
Report title	Impact of social rented homes on development viability
Date	September 2024
Prepared by	Lin Cousins, Laura Easton, Tom Marshall
Reviewed by	Mark Felgate
Quality statement	In preparing this report, the authors have followed national and professional standards, acted with objectivity, impartially, without interference and with reference to appropriate available sources of information. No performance-related or contingent fees have been agreed and there is no known conflict of interest in advising the client.
Use of this report	This report is not a formal land valuation or scheme appraisal. It has been prepared based on data supplied by Hart District Council, consultant team inputs and quoted published data sources. This analysis should not be used for individual scheme appraisal. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed.
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Glossary

BCIS	Building Cost Information Service
BF	Brownfield (land)
BLV	Benchmark Land Value
BRMA	Broad Rental Market Area
CIL	Community Infrastructure Levy
CVA 2021	Community Infrastructure Levy (CIL) Viability Assessment 2021
EUV	Existing Use Value
GDV	Gross Development Value
GF	Greenfield land
LHA	Local Housing Allowance
NPPF	National Planning Policy Framework
PPG	(National) Planning Policy Guidance
RP	Registered Provider
RV	Residual Value
s106	Section 106 of the Town and Country Planning Act 1990, as amended
SAMM	Strategic Access Management and Monitoring
SANG	Suitable Alternative Natural Greenspace
SPA	Thames Basin Heath Special Protection Area
SPD	Hart District Council Supplementary Planning Guidance on Viability
VOA	Valuation Office Agency

Executive summary

1. Three Dragons has been commissioned by Hart District Council (the Council) to examine the potential impact on development viability of the introduction of social rented homes in place of affordable rented homes on residential development. The work will inform the production of the Council's Affordable Homes Supplementary Planning Document (SPD).
2. The research was carried out between July and September 2024. It comprised a series of interviews with locally developing Registered Providers (RPs) and the viability testing of a set of typologies to test the economic impact of the proposed tenure switch.
3. The adopted Hart Local Plan (Strategy & Sites) 2032 includes Policy H2 Affordable Housing which states that, on major developments, the Council will require 40% of the new homes to be affordable homes with a tenure mix of 65% affordable homes for rent and 35% affordable home ownership, unless superseded by the most up to date evidence concerning local housing need.
4. A key part of the research was a series of interviews with Registered Providers operating in Hart district, to explore attitudes to providing social or affordable rent and to provide feedback on the testing assumptions about affordable homes proposed by Three Dragons.
5. This report uses the same base assumptions as the Council's Community Infrastructure Levy (CIL) Viability Assessment 2021 (CVA 2021). Values and costs have subsequently been updated using the latest available figures at the time of the research published by Land Registry and the Building Cost Information Service.
6. A set of typologies is used, typical of development coming forward in Hart district, to demonstrate the viability impact of switching the rented affordable homes from affordable rent to social rent. Typologies include brownfield and greenfield land and are tested with and without the requirement to mitigate the impact upon the Thames Basin Heath Special Protection Area (SPA). The requirement for mitigation covers approximately half of the district and would involve the provision of Suitable Alternative Natural Green Space (SANG) and a financial contribution for Strategic Access Management and Monitoring (SAMM).
7. Government guidance set out in Planning Practice Guidance, Viability (PPG), states that for plan making (where relevant) should be informed by "a proportionate assessment of viability that takes into account all relevant policies, and local and national standards". This report provides that proportionate evidence base.
8. This report uses the well-established approach and model developed by Three Dragons, and is consistent with government guidance in the National Planning Policy Framework

(NPPF) and Planning Practice Guidance and the Council's own adopted Supplementary Planning Guidance (SPD) on Viability.

9. The results show that, based on the typologies modelled, a requirement for the rented element of the affordable homes contribution to be delivered at social rent levels is supported on greenfield sites and on brownfield sites where SANG, SAMM or other significant additional development costs do not apply.
10. However, on brownfield sites where there is a requirement for the provision of SANG and SAMM, some flexibility may be required to ensure viability if social rent is to be delivered. Policy H2 of the adopted Local Plan, which also reflects national policy in the NPPF, allows for the Council to negotiate with the applicant to secure the optimum quantity and mix of affordable homes that is viable and meets the identified housing need. This would be undertaken on a case by case basis.
11. It should also be noted that the viability assessment set out in this report is on the basis of a strategic / plan-wide assessment. The existing use value of a brownfield site will vary immensely, and there will be a number of brownfield sites with lower benchmark land values than those used for this report.
12. For specialist older persons homes, only a typology on greenfield land was viable with social rent.
13. For Rural Exception Sites, some level of public subsidy or market homes would be required to ensure viability of this typology with social rent and making provision for SANG and SAMM costs.
14. The RPs interviews supported a switch to providing social rent homes as this tenure is seen to better meet the needs of households on the lowest incomes in Hart district. However, the RPs acknowledged that social rent generates a lower value than affordable rent and that this will affect the value the RP can afford to pay for the affordable homes.
15. If the Council does choose to require social rent rather than affordable rent on mixed tenure s106 sites, the RPs were very clear that this must be clearly set in the SPD and in the section 106 Planning Obligation to ensure a 'level playing field' for RPs when bidding to developers for the affordable homes.

Chapter 1 Introduction and background

- 15.1** Three Dragons has been commissioned by Hart District Council (the Council) to examine the potential impact on development viability of the introduction of social rented homes in place of the affordable rented homes on residential development. The work will inform the production of the Council's Affordable Homes Supplementary Planning Document (SPD).
- 15.2** The research was carried out between July and September 2024. It comprised a series of interviews with locally developing Registered Providers (RPs) and the viability testing of a set of typologies, typical of development in Hart district, to test the economic impact of the proposed tenure switch.
- 15.3** This report uses the well-established approach and model developed by Three Dragons, and is consistent with government guidance in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) and the Council's own adopted Supplementary Planning Guidance (SPD) on Viability. It draws on published data sources and previous viability research carried out by Three Dragons for the Council in 2021 ([Hart Community Infrastructure Levy Viability Assessment, September 2021](#) – CVA 2021) as well as information supplied by the Council and local Registered Providers.
- 15.4** Affordable housing for rent is defined in the NPPF December 2023 as
- “Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision.”*
- 15.5** The [government policy statement on rents for social housing 2022](#) defines Social Rent and Affordable Rent according to rent setting:
- Social Rent is set according to a formula based on national rents, local incomes and property value
 - Affordable Rent must not exceed 80% of gross market rent and providers should have regard to the local market context, including the relevant Local Housing Allowance for

the Broad Rental Market Area in which the property is located, when setting affordable rents.

- 15.6** The policy statement goes on to point out that “affordable rents are typically higher than social rents”. It can thus be expected that, on a s106 site, an RP will pay less for a social rented property compared to an affordable rented property with subsequent impacts on development viability. Therefore, the question posed by the Council is whether this negative impact is such that overall development will become unviable (where it was previously viable).

Local Policy context

- 15.7** The ‘Hart Local Plan (Strategy & Sites) 2032’ was adopted in April 2020.
- 15.8** Local Plan Policy H2, Affordable Housing, states that on major developments the Council will require 40% of the new homes to be affordable homes. It goes on to say that the tenure mix of the affordable housing will be 65% affordable homes for rent and 35% affordable home ownership unless superseded by the most up to date evidence concerning local housing need.
- 15.9** The supporting text states that “The exact mix of affordable homes on each site, in terms of types, sizes and tenures will be agreed through negotiation with the developer. (The) housing strategy, housing register, the SHMA, the Help to Buy register and where relevant local housing needs surveys, will inform these negotiations.” (Para 138) It also confirms that the policy covers specialist retirement homes that falls within Use Class Category C3 (para 139).
- 15.10** Historically the Council has seen the delivery of the required 65% of affordable homes for rent at affordable rent levels and the 35% affordable home ownership as shared ownership. These tenures formed the basis for the viability study that informed the Local Plan (Adams Integra 2016) as well as the Three Dragons CVA 2021.
- 15.11** The Housing Strategy 2020-2025 identifies that “affordability is a key issue for the district” and that “the high demand for homes combined with the high cost of living in Hart district, has meant that the Council has had to find ways to ensure that rented affordable homes within Hart district are more affordable” (pages 9 & 17). It recognises that, in partnership with locally developing RPs, there may be opportunities to deliver more homes for social rent.
- 15.12** The Council’s Corporate Plan 2023-2027 has highlighted the need to provide more social rent homes.

15.13 The Council published a Technical Advice Note (TAN) on Affordable Homes with New Development June 2024. This reflects the Corporate Plan and sets out that the Council's preference is for "the delivery of Social Rent rather than Affordable Rent" and that the Council "is procuring evidence to support this position in a forthcoming Supplementary Planning Document" (para 4.20).

Chapter 2 Consultation with Registered Providers

- 2.1** A key part of the research was a series of interviews with Registered Providers (RPs) operating in the Hart District Council. In depth discussions were held with five developing housing associations. The purpose of the meetings was twofold:
- To discuss appetite for and barriers to developing social rented homes in place of affordable rent, and
 - To comment and feed into the affordable homes assumptions used in the viability modelling, making sure they reflect current costs, values and practices in Hart district.
- 2.2** There was general support for shared ownership as the low cost home ownership component of the affordable homes required by the Local Plan policy (i.e. 35% of the affordable homes element).
- 2.3** The RPs interviewed have a strong preference to deliver social rent homes as this tenure is seen to better meet the needs of households on the lowest incomes in Hart district. However, it is acknowledged that social rent generates a lower value than affordable rent and that this will affect the value the RP can afford to pay for the affordable homes. Homes England have a policy where they will not usually provide social housing grant for affordable homes delivered as a requirement of the planning permission (normally secured by a section 106 legal agreement – these are often referred to as s106 sites). Homes England would only fund ‘additionality’ i.e. additional homes or improved tenure. This helps explain why RPs, particularly with smaller sites, may prefer to develop out sites themselves rather than become involved in mixed tenure s106 sites. This issue is currently not unique to Hart District Council.
- 2.4** If the Council chooses to require social rather than affordable rent on mixed tenure s106 sites, the RPs were very clear that this must be clearly set out in the SPD and in the Section 106 Planning Obligation to ensure a ‘level playing field’ for RPs when making any bid to developers for the affordable homes.
- 2.5** RPs can provide either affordable rent or social rented homes if required but noted that care is needed in terms of scheme layout if both tenures are to be provided in the same scheme as having the two different rented tenures side-by-side can cause management issues later. Some RPs also commented that if both tenures are to be provided on the same site, then from an affordability perspective it is better that the larger homes are social rent and the smaller are affordable rent.

2.6 The RPs also provided detailed comments on the draft viability testing assumptions presented to them in the interviews. These are shown in Figure 3.4 in the next chapter. Generally the assumptions were considered to be appropriate but with some minor adjustments that have been taken into account in the final set of assumptions that have been used. Two general points noted were that:

- One bedroom flats are less popular and two bedroom homes offer more flexibility, and
- If the National Describes Space Standards (NDSS) home sizes are to be used, the importance of specifying the home type and occupancy level that is meant e.g. '3 bed 5 person' rather than simply '3 bedroom'.

Chapter 3 Viability assumptions and approach to testing

- 3.1** The policies in Hart District Council's Local Plan (Strategy & Sites) 2032 were informed by the 2016 Viability Report which was found sound at examination in 2019.
- 3.2** In 2021 Three Dragons were commissioned to carry out a [Community Infrastructure Levy Viability Assessment 2021](#). The Assessment was prepared in line with published guidance and subject to consultation with the development industry. In 2021, the Council consulted on the preliminary Draft Community Infrastructure Levy Charging Schedule and the Viability Assessment was published as part of the evidence base, and comments were invited on it. Some comments were received as part of the consultation, none of which were substantive enough to lead to changes to the base assumptions. Subsequently, the Council made the decision not to pursue CIL at that time, but the Viability Assessment remained available on the Council's website.
- 3.3** The current report uses the same base assumptions as the CIL Viability Assessment 2021 (CVA 2021). Values and costs have subsequently been uprated. Values have been uprated using the latest available figures at the time of the research published by Land Registry (House Price Index at 31 March 2024 - downloaded 14 August 2024) and, for costs, using the Building Cost Information Service (BCIS downloaded Q1 2024 – downloaded 9 August 2024 and rebased for Hampshire). More detail can be found in Appendices B and C. The assumptions have also been sense checked in detail with locally developing Registered Providers and the housing team at the Council.
- 3.4** A residual value approach to testing viability has been taken, as supported by the Planning Practice Guidance and as used in CVA 2021. This means that all costs, including land, have been deducted from revenue – the result is the residual value. A positive residual value means that a site is viable and a negative residual value that it is not. If a result is within £5,000 either side of zero, the development is considered to be marginal in terms of its viability. In which case viability may be improved by relatively small adjustments in the relevant assumptions.

Typologies / Tests

- 3.5** To ascertain whether social rented homes are deliverable on a typical development in Hart district, a set of typologies was modelled and these are shown in Figure 3.1 below. They are based on the typologies from the CVA 2021 report but with some amendments to density to take account of changing development patterns. A ten-unit scheme has also been added to reflect the fact that much local delivery occurs on

smaller sites. All typologies (with the exception of the Rural Exception Site) are modelled on both brownfield (BF) and greenfield (GF) land.

Figure 3.1: Residential typologies

Ref	Number of homes	Land use	Density (dwellings / hectare)	Notes
Res 1 (BF)	10	Brownfield	30	House-led with some flats
Res 1 (GF)	10	Greenfield	30	House-led with some flats
Res 2 (BF)	15	Brownfield	80	Apartments
Res 2 (GF)	15	Greenfield	80	Apartments
Res 3 (BF)	30	Brownfield	30	House-led with some flats
Res 3 (GF)	30	Greenfield	30	House-led with some flats
Res 4 (BF)	75	Brownfield	30	House-led with some flats
Res 4 (GF)	75	Greenfield	30	House-led with some flats
Res 5	10	Rural Exception Site	30	100% affordable homes
OP1	60	Brownfield	109	Specialist homes for older people
OP2	60	Greenfield	109	Specialist homes for older people

3.6 In line with Policy H2 in the adopted Local Plan, sites were assessed on the basis that 40% of the new homes would be affordable, with the tenure mix of the affordable homes would be 65% affordable housing for rent and 35% shared ownership (SO) The rented homes were tested as affordable rent and social rent.

Market and affordable values

3.7 Figures 3.2 and 3.3 set out the market values used in this viability testing. The values have been uprated from those used in the Three Dragons CVA 2021 using the Land Registry House Price Index – for more detail see Appendix C.

Figure 3.2: House price per home – general market homes

Home type	Sqm	Value per sqm	Full open market value
2-bed flat	69	£5,250	£362,250
2-bed terrace	85	£5,000	£425,000
3-bed terrace	102	£5,000	£510,000
3-bed semi	115	£5,500	£632,500
4-bed detached	148	£5,375	£795,500
5-bed detached	160	£5,375	£860,000

- 3.8** Where a self-build home was part of the mix, a further 5% was added to sales values in line with guidance issued by the [Right to Build Task Force](#) (Guidance note PG3.7 Area-wide Approaches to Viability Assessment Right to Build Task Force & Three Dragons July 2023).
- 3.9** The value of specialist homes for older people (sometimes referred to as sheltered homes or retirement homes) is derived from the value of a second hand semi-detached home as per guidance from the [Retirement Housing Group](#). These have also been uprated from the CVA 2021 report.

Figure 3.3: House price per home – specialist homes for older people

Home type	Sqm	Value per sqm	Full open market value
1-bed flat	50	£6,250	£312,500
2-bed flat	75	£6,170	£462,500

- 3.10** The value of the affordable homes for rent is based on a capitalised net rent methodology. (This is a broad assessment of the amount an RP can borrow against an estimate of the net annual rent for a property.) The assumptions are based on industry standards and were all sense-checked with local RPs and some adjustments were made following consultation. There was general agreement with the methodology proposed and resulting transfer values. The assumptions used are shown in figure 3.4 below.

- 3.11** The value of a shared ownership property is based on the value of the initial sale of the part of the home sold to the new owner, plus capitalising a rental income on the remaining unsold equity.

Figure 3.4 Affordable homes assumptions

Item	cost
Affordable Rent	LHA rate
Social Rent	LHA rate x 75%
Management & maintenance	£1,250
Voids/bad debts	2.5%
Repairs reserve	£600
Capitalisation	5.0%
Share size - SO	35%
Rental share - SO	2.75%
Service charges - flats	£10
Service charges - houses	£5
Repairs SO	£4,000

- 3.12** LHA rates were taken from the Valuation Office Agency (VOA) website for the two Broad Rental Market Areas (BRMA) that cover Hart district – Basingstoke and Blackwater Valley. The lower of the two LHA rates was used for the testing i.e. Basingstoke BRMA. A third BRMA covers a very small part of Hart district and this was not included in the analysis - on the advice of the Council and the RPs that were consulted.

Housing mix

- 3.13** The market housing mix of house types is taken from the CVA 2021 report. The mix was presented at the development industry workshop at that time. Based on current and planned delivery, the Council report that the mix continues to be relevant in 2024.

Figure 3.5 Housing mix – market homes on mixed schemes of flats and houses

Unit type	Size sqm	% of market homes mix
2 bed flat	69	20%
2 bed terrace	85	25%
3 bed terrace	102	15%
3 bed semi	115	20%
4 bed detached	148	15%
5 bed detached	160	5%
		100%

3.14 On the market flatted typologies, the mix is 25% 1-bed flats and 75% 2-bed flats. For specialist older persons, the mix is 50% 1-bed flats and 50% 2-bed flats.

3.15 Figure 3.6 shows the affordable homes mix as percentages of each affordable tenure and, to aid clarity, figure 3.7 shows how this would translate to housing numbers on a notional 100 affordable homes.

Figure 3.6 Housing mix – affordable homes on mixed schemes of flats and houses (as a percentage)

Unit type	Size sqm	Rented homes (65% of the affordable mix)	Shared ownership homes (35% of the affordable mix)
1 bed flat (2 person)	50	15%	-
2 bed flat (4 person)	70	13%	15%
2 bed house (4 person)	79	27%	40%
3 bed house (5 person)	93	30%	45%
4 bed house (6 person)	106	15%	-
		100%	100%

3.16 If there were 100 affordable homes the above mix dictates that they would be delivered in the following numbers.

Figure 3.7 Housing mix – example using actual numbers of affordable homes on a mixed scheme, assuming there are 100 affordable homes

Unit type	Rented homes (65% of the affordable mix)	Shared ownership homes (35% of the affordable mix)
1 bed flat (2 person)	9.75	-
2 bed flat (4 person)	8.45	5.25
2 bed house (4 person)	17.55	14.00
3 bed house (5 person)	19.50	15.75
4 bed house (6 person)	9.75	-
Total number affordable homes	65.00	35.00

- 3.17** The affordable homes mix, whilst similar to the CVA 2021, has been amended to take into account feedback from the consultation and the Council's preferred mix. The rented affordable homes provide a mix of houses and flats of 1,2,3 and 4 bed homes. The shared ownership homes are focussed on 2 and 3 bed homes to reflect RPs comments about affordability and saleability. The final mix was agreed with the Council.
- 3.18** All homes conform to Nationally Described Space Standards and the Council's preference to maximise occupancy.
- 3.19** For the affordable homes in the flatted and older person schemes the mix is 50% 1-bed flat and 50% 2-bed flat.
- 3.20** The Rural Exception Site is modelled with 100% of homes as affordable, using the affordable mix shown in tables 3.6 and 3.7. In practice, these sites will be reflective of local need.

Development costs

- 3.21** The costs employed for the viability testing in this report are taken from the CVA 2021. Build costs have been uprated in line with BCIS index for 1st quarter 2024. The Table below illustrates the BCIS rates and shows how they are applied to the different typologies in the testing.

Figure 3.8 Build costs

Unit type	Base cost	Basis BCIS – estate housing generally rebased for Hampshire
Houses 6-9 units	£1,611 sqm	Mean
Houses 10-50 units	£1,530 sqm	95% mean
Houses 51-100 units	£1,482 sqm	92% mean
Self & custom build	£1,691 sqm	105% mean
Flats	£1,811 sqm	Mean
Supported housing	£1,858 sqm	Mean

- 3.22** Costs tend to be higher on smaller sites where economies of scale are harder to achieve and research by BCIS indicates that mean build costs should be used for sites of under 10 units but for larger sites, a lower figure is more appropriate.
- 3.23** Other costs applicable to the testing in this report are shown in the table below. For a full explanation of sources and research associated with these, refer to the CVA 2021. Note that interest rates have increased since the CVA 2021 was prepared; changes to Building Regulations mean there has been an uprating to the distribution of EV charging and the costs for Parts L, O and F (carbon reduction).

Figure 3.9 Other costs associated with development in Hart District

Item	Cost
Garages	£8,100 (3-bed semis & 4-bed detached)
Professional fees	8%
Developer return	17.5% of market GDV
Contractor return	6% of affordable GDV
Interest	6.5%
Marketing	3% of GDV
S106	£1,500 per unit (up to 50 homes) £4,500 per unit (over 50 homes)
Biodiversity net gain	£948 unit (greenfield) £248 unit (brownfield)
Accessibility	M4(2) on 15% of homes @ £1,400 per unit
Building Regs 2021 Part L, O, F ¹	3.9% of build costs
EV Charging	£865 per home
SANG/SAMM	Res 1, 3, 4, 5 - £11,700 per home Res 2 - £8,800 per home OP1,2 - £8,500 per home

- 3.24** The saved policy from the South East Plan requires the protection of the Thames Basin Heath Special Protection Area (SPA). As a result, residential development across approximately half of the district is required to provide mitigation to protect the SPA through the provision of Suitable Alternative Natural Green Space (SANG) and a financial contribution for Strategic Access Management and Monitoring (SAMM). The SANG and SAMM contributions are based on the [Council's 2024/2025 Tarriff](#) using a blended rates according to the 40% affordable housing mix.
- 3.25** It is assumed that there is no public subsidy (Social Housing Grant from Homes England) available for the affordable homes on s106 sites,
- 3.26** For sites of up to and including 30 units, it is assumed they are completed within a year. For larger sites it is assumed there is 9 months to 1st completion then sales at 50 per annum thereafter.

¹ Building Regulations Part L 2021 (introduced from July 2022) requires higher thermal efficiency

Land values

- 3.27** Benchmark land values are taken from the CVA 2021. They are based on existing use value plus a premium as per PPG paragraph 13 (Reference ID: 10-013-20190509) and were subject to consultation with the development industry in preparation of the CVA 2021.

Figure 3.10 Benchmark land values

Land type	Value per hectare
Greenfield	£0.45m
Brownfield (residential)	£2.1m
Rural Exception	£10k per plot

- 3.28** The testing in this report relied on the values shown in the figure 3.10 above, with brownfield development expected to come forward on previously developed residential land. However, it is worth noting that lower benchmark land values were also identified in the CVA 2021 and there may be occasions where these would be applicable on specific sites in Hart district.

Chapter 4 Modelling results and findings

- 4.1** As described in chapter 3, a set of typologies was modelled, typical of the type of development expected in Hart district, to find out whether they were deliverable from a viability perspective with social rented homes. For comparison, they are tested separately with affordable rent and social rent.
- 4.2** As SANG costs are significant but do not apply to the entire district, the typologies were also tested without and with SANG and SAMM contributions. Thus, as well as being tested on both brownfield and greenfield land, four tests were applied to each typology:
- i) with affordable rent – no SANG / SAMM
 - ii) with social rent – no SANG / SAMM
 - iii) with affordable rent and SANG / SAMM
 - iv) with social rent and SANG / SAMM.
- 4.3** The results are presented in the next section and show residual values (RV), after all costs, including those for land, have been deducted from revenue. They are presented on a per unit basis to enable comparison between typologies. A more detailed set of results can be found in Appendix A.

Results

- 4.4** The table below shows all results side by side, rounded to the nearest £100. For ease of reference, negative (i.e. non-viable) results are in red type and the columns showing the results where all rented homes are social rent are shaded in pale green.

Figure 4.1 Results from the viability testing

Ref	Number homes	Land description	RV per unit <u>Affordable Rent</u> no SANG /SAMM	RV per unit <u>Social Rent</u> no SANG/ SAMM	RV per unit <u>Affordable Rent</u> with SANG / SAMM	RV per unit <u>Social Rent</u> with SANG / SAMM
Res 1 (BF)	10	Brownfield	£17,600	£4,200	£5,900	-£7,500
Res 1 (GF)	10	Greenfield	£113,200	£99,800	£101,500	£88,100
Res 2 (BF)	15	Brownfield	£17,100	£8,000	£8,300	-£800
Res 2 (GF)	15	Greenfield	£39,000	£29,800	£30,200	£21,000
Res 3 (BF)	30	Brownfield	£22,400	£8,800	£10,500	-£3,100
Res 3 (GF)	30	Greenfield	£119,400	£105,900	£107,600	£94,200
Res 4 (BF)	75	Brownfield	£27,100	£13,300	£15,100	£900
Res 4 (GF)	75	Greenfield	£124,100	£110,600	£112,300	£98,800
Res 5	10	Rural Exception (Greenfield)	£10,800	-£22,700	-£900	-£34,600
OP1	60	Brownfield	£8,600	-£1,900	-£500	-£11,300
OP2	60	Greenfield	£27,300	£16,800	£18,200	£7,300

Summary of findings

- 4.5 Affordable rent levels:** The testing for the effective ‘do noting’ scenario where the affordable homes for rent remain at affordable rent levels, demonstrated that this was viable on all sites – greenfield or brownfield, with or without SANG and SAMM provision.
- 4.6 Social rent levels:** The testing found that, at social rent levels, all greenfield or brownfield sites **without** SANG and SAMM provision were viable providing 40% affordable homes with 65% being social rent homes and 35% as shared ownership.
- 4.7** The testing also showed that all greenfield sites **with** a requirement for SANG and SAMM provision were viable providing 40% affordable homes with 65% being social rent homes, 35% shared ownership.

- 4.8** The testing showed that 3 out of the 4 brownfield scenarios with a requirement for SANG and SAMM provision were not able to provide the full 40% affordable homes with 65% being social rent homes, 35% shared ownership
- 4.9** It should also be noted, this viability assessment is on the basis of a strategic / plan-wide assessment. The existing use values of brownfield sites vary immensely and there maybe brownfield sites with lower benchmark land values than those used for this report.
- 4.10** Where development occurs on previously developed residential land a vacant building credit may apply, offering a financial credit equivalent to the existing gross floorspace of relevant vacant buildings towards any affordable homes contribution. (See PPG Paragraph: 026 Reference ID: 23b-026-20190315) We have not allowed any vacant building credit in this high-level study which relies on typologies. However, on specific sites viability may well be improved by its application.
- 4.11** On brownfield sites where there is a requirement for the provision of SANG and SAMM, some flexibility may be required to ensure a viable scheme if social rent is to be delivered. Policy H2 of the adopted Local Plan, which also reflects national policy in the NPPF, allows for Council to negotiate with the applicant to secure the optimum quantity and mix of affordable homes that is viable and meets the identified housing need. This would be undertaken on a case by case basis. Policy H2 of the adopted Local Plan sets out that proposals that fail to provide 40% affordable housing must be supported by evidence in the form of an open book viability appraisal.
- 4.12 Rural Exception Sites (RES):** the testing showed these sites were viable on greenfield sites without SANG or SAMM provision at social rent levels. There was a marginal negative value where SANG and SAMM provision was required at social rent levels. However, these sites have been modelled without market homes or grant. Some level of public subsidy or market homes would be required to ensure viability of this typology with social rent.
- 4.13 Older person homes:** The results for OP1 (specialist homes for older people on brownfield land), with a negative residual value of £11,300 per home, is less likely to be able to deliver a policy compliant level of affordable homes where SANG and SAMM is also applicable. However, a scheme for older people is viable when coming forward on a greenfield site (OP2).

Future costs and values

- 4.14** The [Future Homes consultation](#) was published by the previous government in December 2023, with plans to introduce a new housing standard in 2025 to improve the carbon efficiency of new homes. Two options were posed with differing costs and option 1 (the higher of the standards) is shown in the Impact Assessment as costing around £4,360 per home. This cost was not accounted for in the modelling and would clearly reduce viability if it is introduced through Building Regulation changes in the future and could compromise further the delivery of social rented homes.
- 4.15** Future changes to the market such as rising house prices and build costs will also affect viability, as will changes to interest rates. Predictions (see *Savills Residential Market Forecasts May 2024 release*; *Knight Frank House Price Forecast January 2024*; *BCIS Quarterly briefing March 2024 - all-in tender price index*; and *Para 12 of Minutes of the Monetary Policy Committee meeting ending on 13 December 2023*) are for interest rates to fall and for house prices rises to outstrip build cost increases over the next five years. Such a scenario would improve viability and further assist the Council in delivering social rented units but these, of course, remain just predictions.
- 4.16 Registered Providers:** the RP interviews supported a switch to providing social rent homes as this tenure is seen to better meet the needs of households on the lowest incomes in Hart district. However, the RPs acknowledged that social rent generates a lower value than affordable rent and that this will affect the value the RP can afford to pay for the affordable homes.
- 4.17** If the Council does choose to require social rent rather than affordable rent on mixed tenure s106 sites, the RPs were very clear that this must be set out in the SPD and in the section 106 Planning Obligation to ensure a 'level playing field' for RPs when bidding to developers for the affordable homes.

Appendix A – Full results tables

Table 1: Results with affordable rent – no SANG / SAMM

Rent	Land	Homes	Build Period	Mkt%	Total AH %	Market homes	SBCH homes	AH homes	Gross Ha	Net Ha	Homes per net ha	GDV	Scheme Residual Value £s	Scheme Headroom per unit £s
Affordable	Brownfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,185,280	175,883	17,588
Affordable	Greenfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,185,280	1,131,577	113,158
Affordable	Brownfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,246,800	256,972	17,131
Affordable	Greenfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,246,800	585,147	39,010
Affordable	Brownfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,992,715	672,422	22,414
Affordable	Greenfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,992,715	3,581,382	119,379
Affordable	Greenfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	32,481,788	9,309,685	124,129
Affordable	Brownfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	32,481,788	2,036,117	27,148
Affordable	Greenfield	10	4 Quarters	0%	100%	-	-	10.00	0.521	0.333	30.03	2,302,825	108,255	10,826
Affordable	Brownfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,636,000	518,307	8,638
Affordable	Greenfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,636,000	1,638,387	27,306

Table 2: results with social rent – no SANG / SAMM

Rent	Land	Homes	Build Period	Mkt%	Total AH %	Market homes	SBCH homes	AH homes	Gross Ha	Net Ha	Homes per net ha	GDV	Scheme Residual Value £s	Scheme Headroom per unit £s
Social	Brownfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,043,320	42,441	4,244
Social	Greenfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,043,320	998,135	99,813
Social	Brownfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,100,550	119,497	7,966
Social	Greenfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,100,550	447,672	29,845
Social	Brownfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,566,835	264,577	8,819
Social	Greenfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,566,835	3,178,352	105,945
Social	Greenfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	31,417,088	8,297,794	110,637
Social	Brownfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	31,417,088	1,000,648	13,342
Social	Greenfield	10	4 Quarters	0%	40%	-	-	10.00	0.521	0.333	30.03	1,947,925	-227,072	-22,707
Social	Brownfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,012,000	-113,924	-1,899
Social	Greenfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,012,000	1,006,157	16,769

Table 3: results with affordable rent and SANG / SAMM

Rent	Land	Homes	Build Period	Mkt%	Total AH %	Market homes	SBCH homes	AH homes	Gross Ha	Net Ha	Homes per net ha	GDV	Scheme Residual Value £s	Scheme Headroom per unit £s
Affordable	Brownfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,185,280	58,883	5,888
Affordable	Greenfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,185,280	1,014,577	101,458
Affordable	Brownfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,246,800	124,972	8,331
Affordable	Greenfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,246,800	453,147	30,210
Affordable	Brownfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,992,715	315,338	10,511
Affordable	Greenfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,992,715	3,228,154	107,605
Affordable	Greenfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	32,481,788	8,423,059	112,307
Affordable	Brownfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	32,481,788	1,135,774	15,144
Affordable	Greenfield	10	4 Quarters	0%	100%	-	-	10.00	0.521	0.333	30.03	2,302,825	-8,745	-874
Affordable	Brownfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,636,000	-29,020	-484
Affordable	Greenfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,636,000	1,091,060	18,184

Table 4: results with social rent and SANG / SAMM

Rent	Land	Homes	Build Period	Mkt%	Total AH %	Market homes	SBCH homes	AH homes	Gross Ha	Net Ha	Homes per net ha	GDV	Scheme Residual Value £s	Scheme Headroom per unit £s
Social	Brownfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,043,320	-74,559	-7,456
Social	Greenfield	10	4 Quarters	60%	40%	6.00	-	4.00	0.521	0.333	30.03	4,043,320	881,135	88,113
Social	Brownfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,100,550	-12,503	-834
Social	Greenfield	15	4 Quarters	60%	40%	9.00	-	6.00	0.188	0.188	80.00	4,100,550	315,672	21,045
Social	Brownfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,566,835	-93,142	-3,105
Social	Greenfield	30	6 Quarters	60%	40%	16.50	1.50	12.00	1.563	1.000	30.00	12,566,835	2,825,124	94,171
Social	Greenfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	31,417,088	7,411,168	98,816
Social	Brownfield	75	3 Years	60%	40%	41.25	3.75	30.00	3.908	2.500	30.00	31,417,088	67,799	904
Social	Greenfield	10	4 Quarters	0%	100%	-	-	10.00	0.521	0.333	30.03	1,947,925	-345,929	-34,593
Social	Brownfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,012,000	-680,568	-11,343
Social	Greenfield	60	4 Years	60%	40%	36.00	-	24.00	0.550	0.550	109.09	18,012,000	439,512	7,325

Appendix B - House prices

House Price Index (HPI) Downloaded from Land Registry 14th August 2024

Name	Region GSS code	Period	Sales volume	Reporting period	House price index New build	Pivotable date
Hart	E07000089	2021-03	333	monthly	120.5	01/03/2021
Hart	E07000089	2021-04	185	monthly	122.8	01/04/2021
Hart	E07000089	2021-05	119	monthly	124.8	01/05/2021
Hart	E07000089	2021-06	348	monthly	124.7	01/06/2021
Hart	E07000089	2021-07	45	monthly	125.2	01/07/2021
Hart	E07000089	2021-08	189	monthly	124.1	01/08/2021
Hart	E07000089	2021-09	288	monthly	125.1	01/09/2021
Hart	E07000089	2021-10	120	monthly	123.7	01/10/2021
Hart	E07000089	2021-11	143	monthly	126.4	01/11/2021
Hart	E07000089	2021-12	150	monthly	124.9	01/12/2021
Hart	E07000089	2022-01	118	monthly	125.3	01/01/2022
Hart	E07000089	2022-02	123	monthly	124.8	01/02/2022
Hart	E07000089	2022-03	153	monthly	128.5	01/03/2022
Hart	E07000089	2022-04	168	monthly	130.7	01/04/2022
Hart	E07000089	2022-05	117	monthly	131.9	01/05/2022
Hart	E07000089	2022-06	141	monthly	130.9	01/06/2022
Hart	E07000089	2022-07	153	monthly	131.8	01/07/2022
Hart	E07000089	2022-08	165	monthly	133.7	01/08/2022
Hart	E07000089	2022-09	155	monthly	135.6	01/09/2022
Hart	E07000089	2022-10	157	monthly	136.6	01/10/2022
Hart	E07000089	2022-11	137	monthly	135.9	01/11/2022
Hart	E07000089	2022-12	130	monthly	135.5	01/12/2022
Hart	E07000089	2023-01	92	monthly	137.5	01/01/2023
Hart	E07000089	2023-02	84	monthly	138	01/02/2023
Hart	E07000089	2023-03	83	monthly	141.1	01/03/2023
Hart	E07000089	2023-04	71	monthly	139.4	01/04/2023
Hart	E07000089	2023-05	111	monthly	138.8	01/05/2023
Hart	E07000089	2023-06	82	monthly	134.9	01/06/2023
Hart	E07000089	2023-07	98	monthly	134.9	01/07/2023
Hart	E07000089	2023-08	125	monthly	135.2	01/08/2023
Hart	E07000089	2023-09	117	monthly	135.9	01/09/2023
Hart	E07000089	2023-10	113	monthly	135.4	01/10/2023
Hart	E07000089	2023-11	96	monthly	135	01/11/2023

Name	Region GSS code	Period	Sales volume	Reporting period	House price index New build	Pivotal date
Hart	E07000089	2023-12	94	monthly	135.4	01/12/2023
Hart	E07000089	2024-01	75	monthly	136.2	01/01/2024
Hart	E07000089	2024-02	54	monthly	145.3	01/02/2024
Hart	E07000089	2024-03	81	monthly	151.1	01/03/2024
Hart	E07000089	2024-04	43	monthly	155.7	01/04/2024
Hart	E07000089	2024-05		monthly		01/05/2024
Hart	E07000089	2024-06		monthly		01/06/2024

Appendix C – Build costs

Extract from BCIS – downloaded 9th August 2024

816. Flats (apartments)								
Generally (15)	1,905	938	1,575	1,793	2,154	6,460	784	
1-2 storey (15)	1,811	1,092	1,515	1,701	2,035	3,580	166	
3-5 storey (15)	1,878	938	1,570	1,790	2,120	3,922	523	

BCIS[®]

£/M2 STUDY

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 27-Jul-2024 07:23

Rebased to 1Q 2024 (390) and Hampshire (106; sample 337)

MAXIMUM AGE OF RESULTS: DEFAULT PERIOD

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample	
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest		
New build								
810. Housing, mixed developments (15)	1,627	874	1,412	1,573	1,781	4,054	1252	
810.1 Estate housing								
Generally (15)	1,611	827	1,362	1,548	1,764	5,526	1366	

843. Supported housing								
Generally (15)	2,015	1,032	1,679	1,870	2,208	4,111	126	
Single storey (15)	2,270	1,461	1,853	2,163	2,475	4,111	12	
2-storey (15)	2,046	1,044	1,677	1,843	2,381	3,578	44	
3-storey (15)	1,858	1,032	1,680	1,792	2,067	2,785	42	