



Kirklees Transfer Values Viability Assessment

Kirklees Council

February 2022



Transfer Values Viability Assessment

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Executive Summary

This report considers the appropriate transfer values to apply to new residential developments within the Kirklees Metropolitan Council area. These are the values that are applied when dwellings that are designated as affordable are passed from a developer to a registered provider (housing association or similar).

The first part of the task was to study the approaches that are taken by other planning authorities within West Yorkshire. This is summarised in Section 3 of this report, which shows that a range of approaches were taken, with no single approach prevailing.

Based on this information, the Council decided that it wishes to take an approach of applying a rate per square metre in respect of transfer values. This is also the method that the Council has applied to date. There are two main types of affordable dwellings, which are “Social Rented / Affordable Rent” and “Intermediate / Shared Ownership”, which have different cost implications for registered providers so different rates are appropriate in each case. The numbers have also been split between houses / bungalows, and flats. The results of our analysis, as set out in more detail in Sections 4 and 5 below, are as follows:-

Property Type	Transfer Value (per sq m)	
	Social Rented / Affordable Rent	Intermediate / Shared Ownership
Houses / Bungalows	£861	£1,292
Flats	£861	£1,292

Table 1: Transfer Values

The numbers have been derived largely by reference to the effect on land values retained by the landowner, to ensure that they are within what would be considered to be an appropriate range.

To verify the appropriateness of the above numbers, we have also undertaken a sensitivity analysis (set out at Section 7 below), which shows that, if the adopted numbers were increased or decreased significantly, then the retained land value would no longer be within what would be considered to be a reasonable range.

1 Instructions

1.1 Purpose of Report

The Council has commissioned Align Property Partners to carry out a revised assessment of the Transfer Values for affordable housing to be provided on new residential development within the Borough. We have therefore undertaken a fair and impartial assessment of the transfer values that are appropriate as at the valuation date. This report has been prepared to provide an independent review of the current transfer values and provide recommendations on future actions.

1.2 Personnel

This work has been undertaken by the following Align Property Partners Staff:-

- Jake Gamble – Schofield BSc (Hons) - Graduate Surveyor
- Graham Tyerman MRICS - Principal Surveyor
- John Trenor MRICS - Senior Surveyor

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to provide this advice competently. We confirm that our personnel are in a position to provide external, objective and unbiased advice and are competent to provide the advice.

1.3 Basis of Advice

This report provides advice as to the appropriate transfer values to be applied in respect of residential developments within the Kirklees Metropolitan Borough Council area. In order to provide this advice, we have carried out our own analysis of the local Kirklees residential property market, and reviewed all the other relevant inputs into the development appraisals. We have therefore had regard to information provided by the client and to information that we have obtained as part of the valuation exercise. We have also followed the typical methodologies used to assess viability, based on our experience and knowledge.

1.4 Limitations

This report has been prepared by Align Property Partners, with all reasonable skill, care and diligence within the terms of the appointment and with the scope and resources agreed with the Client. Align Property Partners does not accept responsibility for any matters outside the agreed scope.

Unless stated otherwise, no consultations with interested third parties have been carried out. Align Property Partners are unable to give categorical assurance that the findings will be accepted by these third parties as such bodies.

All work carried out in preparing this report has used, and is based on, Align Property Partners' professional knowledge and understanding of current relevant legislation. Changes in legislation or regulatory guidance may cause the opinion or advice contained in this report to become inappropriate or incorrect. In giving opinions and advice, pending changes in legislation, of which Align Property Partners is aware, have been considered.

This report is only valid when read in its entirety. Any information or advice included in the report should not be relied upon until considered in the context of the whole report.

Whilst this report and the opinions made are correct to the best of Align Property Partners' belief, Align Property Partners cannot guarantee the accuracy or completeness of any information provided by third parties.

This report has been prepared based on the information reasonably available during the project programme. All information relevant to the scope may not have been received.

The content of this report represents the professional opinion of experienced general practice surveyors.

2 Location

2.1 Location

This transfer value assessment relates to the transfer of affordable housing within the Metropolitan Borough of Kirklees.

2.2 Location Plan

The boundary of the Metropolitan Borough of Kirklees is outlined in blue below.

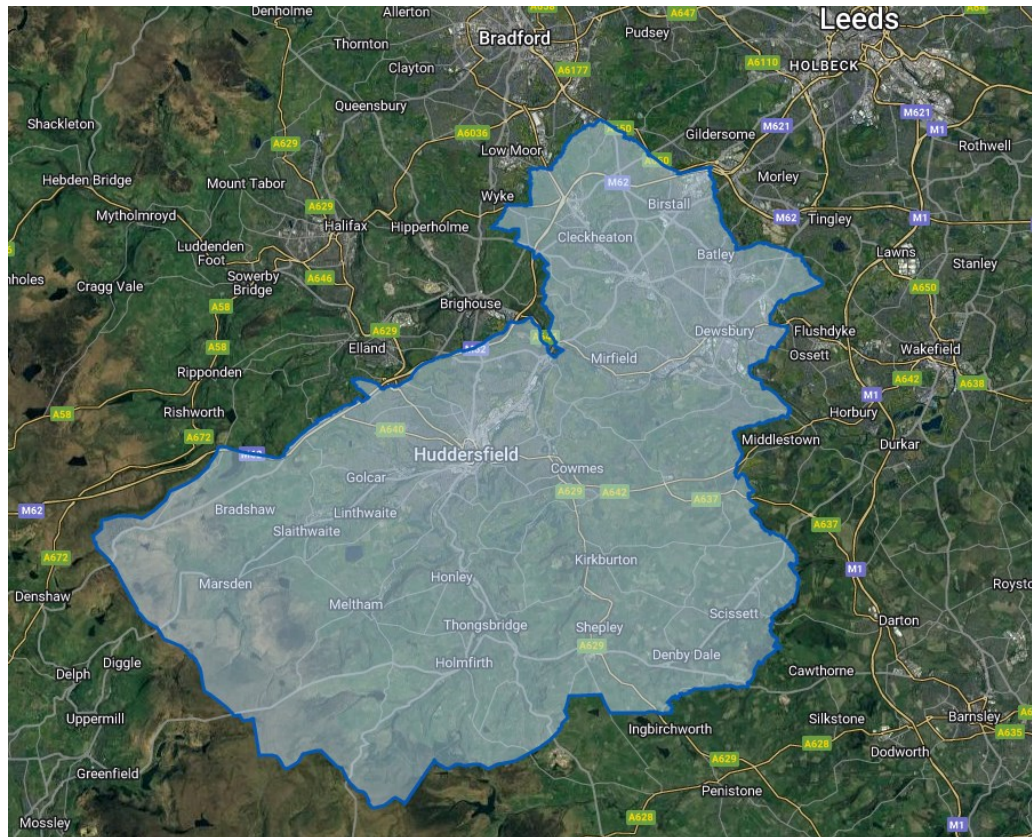


Figure 1: District Map

2.3 The Kirklees Council Area

Kirklees Council encompasses a wide range of environments, for the urban areas in the north centred around Huddersfield, to more rural areas in the south and west. Whilst it should be noted that this study considers hypothetical sites rather than actual ones in the Council's area, we have also had regard to the six sub-areas within the Council's boundaries, as set out below:-

- Batley & Spen
- Dewsbury & Mirfield
- Huddersfield North
- Huddersfield South
- Kirklees Rural East
- Kirklees Rural West

3 Review of Approaches to Transfer Values

3.1 Options for Specifying Transfer Values that are Open to Kirklees Council

As part of the first phase of work provided to the Council, we considered the different ways in which transfer values can be specified i.e. as a single sum per square metre, as a percentage of house value, split according to different locations within the Council's area, or split by type of house etc. As part of this commission, we have been asked to review the approaches that are taken to the provision of transfer values by authorities that neighbour Kirklees. The aim of this aspect of the study is to understand the way that comparable authorities deal with the issue of transfer values, and the range of options that exist in respect of the approach, which could be adopted by Kirklees Metropolitan Borough Council.

3.2 Existing Approaches in the Yorkshire Region

During our initial research we made contact with multiple planning authorities, predominantly in the West Yorkshire area but also extending as far as the City of York, in order to gain an understanding of the impact transfer values make on the decision to acquire affordable housing. The general findings were that the two main drivers when considering transfer value levels are location and the level of need for affordable homes. Transfer values play a small but vital role due to being an important variable when assessing the viability of a scheme.

We have assessed the policies of other local authorities on transfer values within West Yorkshire, to eliminate the possibility of recommending an inconsistent approach, which could potentially effect a planning authority's decision-making. The table below outlines transfer value policies in the West Yorkshire Region:

Council	Transfer Value Policy
Kirklees Metropolitan Borough Council (current policy, prior to this review)	<p>The current policy of Kirklees Council is based on two rates per unit area, which are applied to the affordable units to be provided. Those rates are:-</p> <ul style="list-style-type: none"> • Shared Ownership £999 per sq m / 92.81 per sq ft • Rented (Affordable and Social) £588 per sq m / £54.63 per sq ft
Bradford City Council	<p>The approach adopted by Bradford City Council is based upon discount from market value, expressed as percentages for five different areas across the Council's area, as follows:-</p> <p style="margin-left: 40px;">Value area 1: 50%</p> <p style="margin-left: 40px;">Value area 2: 35%</p> <p style="margin-left: 40px;">Value area 3: 35%</p> <p style="margin-left: 40px;">Value area 4: 35%</p> <p style="margin-left: 40px;">Value area 5: 35%</p>

Leeds City Council	<p>For shared ownership properties, the benchmark calculations are based upon 2.5 x gross annual salary for lower decile and lower quartile family annual incomes plus a 5% deposit, equating to £730.90 per sq m (lower decile) and £926.69 per sq m (lower quartile) These figures are for an average 85 sq m house.</p> <p>For rented (affordable and social) the calculations are based upon 25% of gross income for lower decile and lower quartile male and female income, equating to £6 per sq m, per calendar month (lower decile) and £7.68 per sq m, per calendar month (lower quartile) These figures are for an average 48 sq m house.</p>
City of York Council	<p>Transfer values as applied by York City Council are based on a percentage of Market Value, divided into three different types of tenure, as follows:-</p> <ul style="list-style-type: none"> • Social Rent: 40% • Affordable Rent: 50% • Intermediate / Shared Ownership: 70%
Wakefield Council	<p>The approach here is also based on a percentage of Market Value for two different types of tenure, as follows:-</p> <ul style="list-style-type: none"> • Rented Transfer Value: 45% of open market value • Owner occupied products (shared ownership): 65% of open market value <p>Each case is however considered on its own merits, based on the guidelines above.</p>

Table 2: Assessment of the policies of other Local Authorities

3.3 Implications of Different Approaches to Specifying Transfer Values

As shown above, there are a range of approaches that can be taken to specifying transfer values, with a range of approaches applying even to Councils geographically close to Kirklees. Whatever option is chosen, the aim should be to adopt a method that gives a reasonable result in all situations likely to be found across the Council's area, taking into account the range in factors such as house prices, land values and development densities that are likely to be found. Bearing this aspect in mind, it can be considered that the range of scenarios found within Kirklees is likely to be somewhat lower than would for instance apply to Leeds City Council, which will have high density urban developments, but also encompasses lower density suburban developments and a range of both very high value and very low value development areas.

It is also a relevant factor that, if the existing methodology that is applied in the Kirklees area can be maintained, this will avoid the complications of moving to an entirely new approach.

3.4 Approach to be Adopted

As a result of our review of potential approaches to specifying transfer values, and in the light of the considerations set out above, Kirklees Metropolitan Borough Council has directed us to take the following approach:-

- To work on the basis of a price per square metre, in accordance with the Council's existing policy
- To provide separate rates for social housing / affordable rent, and for intermediate / shared ownership, as these two types of tenure have differing cost implications for registered providers.
- To provide separate numbers for houses / bungalows and for flats in each case

4 Methodology for Calculating Transfer Values

4.1 Aims in Establishing an Appropriate Transfer Value

In order to be able to consider the appropriate level of transfer value, it is necessary to firstly understand what makes a particular value level be the most appropriate one. An appropriate level of transfer value needs to be one that achieves the best possible balance between the following criteria:-

- It is set at a level that is high enough to enable housing developers to proceed with schemes, and meet the policy requirements, unless particular factors such as unusually high abnormal costs apply to the particular site in question.
- It will not be so high that it will prevent registered providers from taking on affordable units within the Kirklees Metropolitan Council area.

In order to provide an appropriate balance between the two above factors, an appropriate transfer value rate should produce a level of land value from a development with the policy requirements in place, which is acceptable to a hypothetical landowner but which does not produce an excessive level of land value.

4.2 Our Approach to Calculating Transfer Values

In establishing a methodology to calculate appropriate transfer values for Kirklees Council, we have followed as closely as possible the assumptions and input levels adopted in previous studies undertaken on the Council's behalf, updated of course where variables have changed over time.

To provide a view of the appropriate transfer values for use by the Council in determining planning viability issues on future residential planning applications, we have produced a series of hypothetical residential development schemes. To do this, we have used the industry standard development appraisal software "Argus Developer".

We have created a sample development appraisal based around a hypothetical scheme of 30 units, as described more fully at Section 4.7 below. In accordance with the Council's density guidance, this scheme would occupy a site of 0.858 hectares. We have then applied sensitivity testing to the transfer value level, to arrive at an appropriate and viable outcome.

The house sizes that we have assumed meet the National Space Standards for new housing.

We have then created scenarios based on each of the above value levels. We have used a standard residual development appraisal approach to provide the benchmark land values. This allows sensitivity testing to be applied to each scenario, to create a viable outcome for use in future planning applications.

4.3 The Residual Land Value Method

The residual land value (RLV) represents the amount that a developer can pay to a landowner for a development site and still be able to justify the implementation of the development.

The residual method is adopted in the valuation of development land on the premise that the price which the purchaser/developer can pay for such land is the surplus after all development costs have been deducted from the proceeds of the sale of the finished development. The costs that are typically deducted are the cost of construction, cost of purchase and sale, cost of finance and an allowance for profit required to carry out the project. The requirement to meet planning obligations is another cost that must be considered by the developer

The diagram below summarises the principles of the residual method approach:

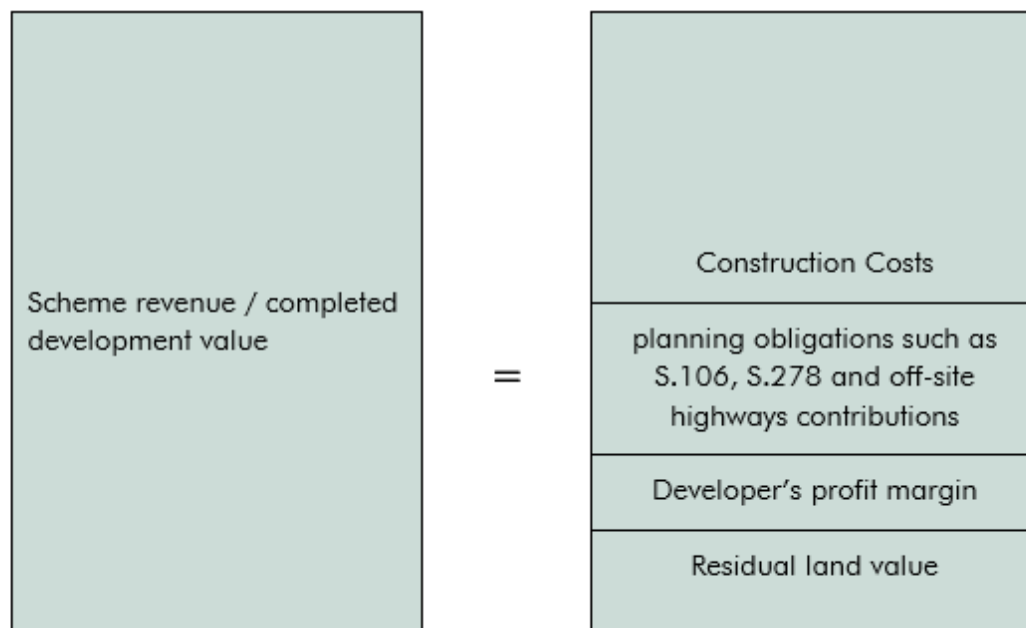


Figure 2: Residual Land Value Method

In considering transfer values, the land value is no longer taken as the residual output of the calculation, but is taken as an input in establishing the benchmark land value, with the transfer value level being the result of the calculation.

In terms of assembling a generic development appraisal, key variables have been identified that are specific to residential development and market conditions, reflecting the time at which the appraisals are undertaken.

The remainder of this section of the report details the assumptions that we have made in carrying out the assessments.

4.4 Value Levels Across the Council's Area

To produce a workable solution in respect of transfer values, it is necessary to reach a solution that is likely to work across all the development sites that might arise within the Kirklees Metropolitan Borough Council area. Therefore, within this report we have worked with the concept of three different levels of value, to represent the value levels that occur across the Council's area. It should be noted however that these do not relate to specific identified areas within the Council's area. Rather, they are general areas where the likely

house sale prices (and therefore the likely development land values) are either low, medium or high.

We have undertaken a study of house prices and land values across the Council's area. To do this, we have considered the house values and land values that apply within the Council's boundaries, having regard to the various sub-areas within the Kirklees Metropolitan Borough Council area:-

- Batley & Spen
- Dewsbury & Mirfield
- Huddersfield North
- Huddersfield South
- Kirklees Rural East
- Kirklees Rural West

In general terms, our findings were that the "Rural Area West" and "Rural Area East" areas averaged the highest house prices. Value levels were lower in "Huddersfield North" and "Huddersfield South" and "Batley and Spen", whilst values were lower still in "Dewsbury and Mirfield".

We then established our low, medium and high house value and land value levels, as detailed in the tables below, based on the study as described above. We reflected the range of values that we identified within these three value levels.

By way of an example of the value levels that are applicable, the above map outlines the clear variance in house values across the Kirklees District. It should be noted however that a considerable amount of additional research was undertaken in assessing the value levels, beyond the data shown on the above map, which is merely indicative of the type of data that is available.

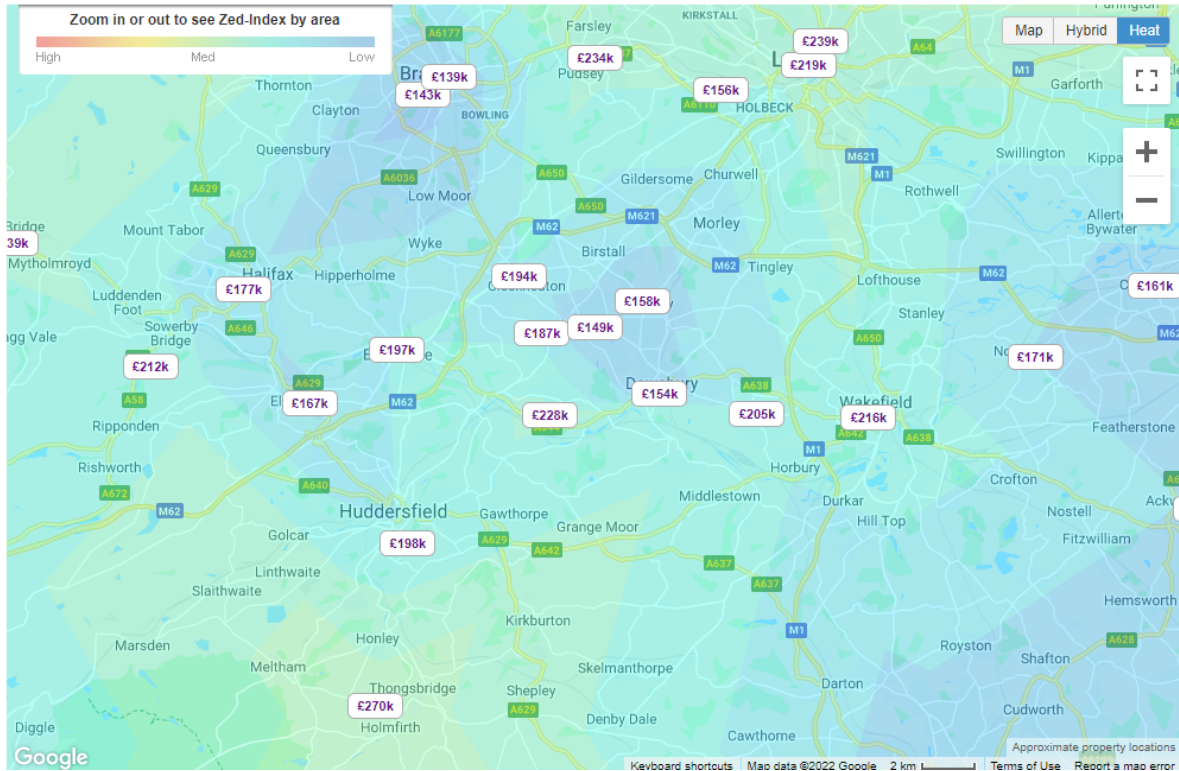


Figure 3: Sales Heatmap

4.5 House Prices

All the value from any development derives from the sale of the completed units, and as such it is key that these values are appropriately assessed. We have taken into consideration the different value areas within Kirklees, and have thereby formed the following opinion as regards house prices:

Adopted Value Levels	Price Per Sqm / Price per Sq Ft
1 (Low)	£1,938 per sq m / £180 per sq ft
2 (Medium)	£2,153 per sq m / £200 per sq ft
3 (High)	£2,476 per sq m / £230 per sq ft

Table 3: Adopted Value Levles

It should be noted that, since the commencement of the Covid-19 pandemic in early 2020, house prices across the United Kingdom have generally increased consistently and noticeably. The same situation will apply to the majority of the housing stock in the Kirklees Metropolitan Borough Council area, and particularly in respect of newbuild housing. There are however signs that this growth is starting to level off. Our valuation is therefore based on house value rates that we consider to be appropriate as at the valuation date.

4.6 Indicative Benchmark Land Values

The adopted land value in an appraisal is another of the key inputs that governs the transfer value that is calculated. The benchmark land values are calculated on a price per hectare basis, taken from a multitude of sites which range in terms of size. They are derived from comparable residential sites across the Council area.

We have undertaken our own studies and from those applied typical average prices for new build houses. Utilising a similar method to that applied to the house prices, we have assessed the following sub areas within Kirklees to form a view of land values within the six sub-areas that exist within Kirklees i.e. Batley & Spen, Dewsbury & Mirfield, Huddersfield North, Huddersfield South, Kirklees Rural East and Kirklees Rural West. We have assessed comparable developments in the Kirklees Borough to find an average for each value area.

We established low, medium and high value levels from our analysis of land values across the Kirklees area, as detailed in the table shown above.

Value Level	Indicative Benchmark Land Value (Per Ha)	Indicative Benchmark Land Value (Per Acre)
1 (Low)	£247,150 - £370,725	£100,000 - £150,000
2 (Medium)	£617,875 - £741,450	£250,000 - £350,000
3 (High)	£988,600 - £1,235,750 +	£400,000 - £500,000 +

Table 4: Indicative Benchmark Land Values

The benchmark land values can be significantly affected by various factors, which principally include:-

- Location
- Typical condition of the development land considered
- Access
- Quality of the proposed development
- Desirability and market demand

The benchmark land values adopted in the above table provide a range to account for the uncertainty and variations in projects. It should also be noted that, whilst many sites may in reality have significant abnormal costs, the hypothetical schemes set out below do not include a specific allowance for abnormal costs. This is because abnormal costs by their nature cannot be assessed, as they vary from site to site and no average level can be assessed for them. Typically, if a project is deemed unviable due to its abnormal costs, then allowances will be made from other elements of the appraisal such as land values and developer's profit. However, there is no such thing as a "perfect" development site, and all sites will have a certain level of cost over and above the cost of building the dwellings and the roads etc. Therefore, we have not disregarded abnormal costs, but rather have adopted a range of benchmark land values that incorporate a tolerance to allow for abnormal costs.

As regards the specific abnormal costs applicable to an actual site, these costs are best considered as part of an appraisal exercise undertaken in respect of a specific scheme.

4.7 Construction Costs

Construction costs are another key input into the appraisal. The sums that we have adopted for this aspect are obtained from the Building Cost Information Service (BCIS), which is a service provided by the Royal Institution of Chartered Surveyors that analyses construction costs across the United Kingdom. This sum has been adjusted to the Kirklees location, using indices provided by BCIS.

Since the start of the Covid-19 pandemic, construction costs have been increasing due to supply issues in both materials and labour. As for house prices, our adopted rates reflect levels of cost appropriate as at the date of valuation.

4.8 Summary of Appraisal Assumptions for Residential Houses

The following assumptions follow, where appropriate, the assumptions that the Council has applied in other similar studies, although obviously some of the key assumptions represent factors that will change over time.

Residential Scheme	<p>In undertaking our residual value calculations, we have assumed a hypothetical scheme and adopted a density per acre (DPA) of 14.164 and a density per hectare (DPH) of 35 units for each scenario.</p> <p>The scheme is set out as follows:</p> <table border="1" data-bbox="564 1205 1382 1800"> <thead> <tr> <th data-bbox="564 1205 963 1323">Unit Name</th> <th data-bbox="963 1205 1098 1323">Number of Units</th> <th data-bbox="1098 1205 1232 1323">Size per unit (sq m)</th> <th data-bbox="1232 1205 1382 1323">Size per unit (sq ft)</th> </tr> </thead> <tbody> <tr> <td data-bbox="564 1323 963 1373">2 Bedroom</td> <td data-bbox="963 1323 1098 1373">5</td> <td data-bbox="1098 1323 1232 1373">70</td> <td data-bbox="1232 1323 1382 1373">753</td> </tr> <tr> <td data-bbox="564 1373 963 1458">2 Bedroom (affordable shared ownership)</td> <td data-bbox="963 1373 1098 1458">1</td> <td data-bbox="1098 1373 1232 1458">70</td> <td data-bbox="1232 1373 1382 1458">753</td> </tr> <tr> <td data-bbox="564 1458 963 1507">2 Bedroom (affordable rent)</td> <td data-bbox="963 1458 1098 1507">1</td> <td data-bbox="1098 1458 1232 1507">70</td> <td data-bbox="1232 1458 1382 1507">753</td> </tr> <tr> <td data-bbox="564 1507 963 1556">3 Bedroom</td> <td data-bbox="963 1507 1098 1556">10</td> <td data-bbox="1098 1507 1232 1556">90</td> <td data-bbox="1232 1507 1382 1556">969</td> </tr> <tr> <td data-bbox="564 1556 963 1641">3 Bedroom (affordable shared ownership)</td> <td data-bbox="963 1556 1098 1641">2</td> <td data-bbox="1098 1556 1232 1641">90</td> <td data-bbox="1232 1556 1382 1641">969</td> </tr> <tr> <td data-bbox="564 1641 963 1691">3 Bedroom (affordable rent)</td> <td data-bbox="963 1641 1098 1691">2</td> <td data-bbox="1098 1641 1232 1691">90</td> <td data-bbox="1232 1641 1382 1691">969</td> </tr> <tr> <td data-bbox="564 1691 963 1740">4 Bedroom</td> <td data-bbox="963 1691 1098 1740">7</td> <td data-bbox="1098 1691 1232 1740">117</td> <td data-bbox="1232 1691 1382 1740">1259</td> </tr> <tr> <td data-bbox="564 1740 963 1800">5 Bedroom</td> <td data-bbox="963 1740 1098 1800">2</td> <td data-bbox="1098 1740 1232 1800">140</td> <td data-bbox="1232 1740 1382 1800">1507</td> </tr> </tbody> </table> <p>The hypothetical scheme therefore comprises a total of 30 units.</p>	Unit Name	Number of Units	Size per unit (sq m)	Size per unit (sq ft)	2 Bedroom	5	70	753	2 Bedroom (affordable shared ownership)	1	70	753	2 Bedroom (affordable rent)	1	70	753	3 Bedroom	10	90	969	3 Bedroom (affordable shared ownership)	2	90	969	3 Bedroom (affordable rent)	2	90	969	4 Bedroom	7	117	1259	5 Bedroom	2	140	1507
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Site Area for Hypothetical Scheme	0.858 hectares (2.12 acres)																																				

Residential Sales Values	<p>We consider that the following sums represent appropriate levels of sale price as applicable to newbuild housing in low value, medium value and high value developments across the Kirklees area:</p> <p>Value area 1: £1,938 sq m / £180 sq ft Value area 2: £2,153 sq m / £200 sq ft Value area 3: £2,476 sq m / £230 sq ft</p>
Construction Costs	<p>We have adopted a build cost of £109 psf (£1,173 per sq m)</p> <p>The construction cost has been derived from the Building Cost Information Service (BCIS), as provided by the RICS, we have adjusted the rate to account for quantum discount achieved by national house builders.</p> <p>The build cost includes a 12% increase to account for any external/site works.</p>
Affordable Housing	<p>We have reviewed Kirklees local plan and taken the flat rate of 20% affordable housing on developments of 11 or more Dwellings.</p> <p>This is split between:</p> <p>Affordable rent – 55.4% Intermediate (shared ownership) – 44.6%</p> <p>A new aspect of affordable housing is the Government’s policy in respect of “Starter Home” and “First Homes”. The cost profile of the provision of housing on that basis is very similar to that which applies to Intermediate affordable housing, and for that reason we have considered them to be included in that category.</p>
S.106 Contributions	<p>We have applied an average rate of £1,000 per unit.</p>
Professional Fees	<p>We have used the following professional fees:</p> <p>Architect: 4% Quantity Surveyor: 1% Structural Engineer: 1% Mech./Elec Engineer: 1% Project Manager: 1%</p>
Other Costs	<p>Marketing, sales and legal fees at 4% of sales costs. Purchaser costs at 6.5%. Debt finance rate at 6% Contingency at 3% of construction costs</p>

Developers Profit	We have used a blended rate of 18.5% on GDV this includes 20% on market housing and 6% on affordable housing.
Timescales	3 Month Pre Construction 24 Month Construction Period 20 Month Sale Period (phased)

Table 5: Summary of Appraisal for Residential Houses

4.9 Summary of Appraisal Assumptions for Residential Flats

The following assumptions follow, where appropriate, the assumptions that the Council has applied in other similar studies, although obviously some of the key assumptions represent factors that will change over time.

Residential Scheme	<p>We have used a density per acre (DPA) of 26.7 units for each scenario and a density per hectare (DPH) of 60 units</p> <p>The Scheme is set out as follows:</p> <table border="1"> <thead> <tr> <th>Unit Name</th> <th>Number of Units</th> <th>Size per unit (sq m)</th> <th>Size per unit (sq ft)</th> </tr> </thead> <tbody> <tr> <td>1 Bedroom flat</td> <td>26</td> <td>45</td> <td>484</td> </tr> <tr> <td>2 Bedroom flat</td> <td>34</td> <td>60</td> <td>645</td> </tr> </tbody> </table> <p>The hypothetical scheme therefore comprises a total of 60 units.</p>	Unit Name	Number of Units	Size per unit (sq m)	Size per unit (sq ft)	1 Bedroom flat	26	45	484	2 Bedroom flat	34	60	645
Unit Name	Number of Units	Size per unit (sq m)	Size per unit (sq ft)										
1 Bedroom flat	26	45	484										
2 Bedroom flat	34	60	645										
Site Area for Hypothetical Scheme	0.858 hectares (2.12 acres)												
Residential Sales Values	<p>We consider that the following sums represent appropriate levels of sale price as applicable to newbuild housing in low value, medium value and high value developments across the Kirklees area:</p> <p>Value area 1: £1,938 sq m / £180 sq ft</p> <p>Value area 2: £2,153 sq m / £200 sq ft</p> <p>Value area 3: £2,476 sq m / £230 sq ft</p>												

Construction Costs	<p>We have adopted a build cost of £107.50 psf (£1,157 per sq m)</p> <p>The construction cost has been derived from the Building Cost Information Service, we have adjusted the rate to account for quantum discount achieved by national house builders.</p> <p>The build cost includes a 10% increase to account for any external/site works.</p>
Affordable Housing	<p>We have reviewed Kirklees local plan and taken the flat rate of 20% affordable housing on developments of 11 or more Dwellings.</p> <p>This is split between:</p> <p>Affordable rent – 55.4%</p> <p>Intermediate (shared ownership) – 44.6%</p> <p>A new aspect of affordable housing is the Government’s policy in respect of “Starter Home” and “First Homes”. The cost profile of the provision of housing on that basis is very similar to that which applies to Intermediate affordable housing, and for that reason we have considered them to be included in that category.</p>
S.106 Contributions	We have applied an average rate of £1,000 per unit.
Professional Fees	<p>We have used the following professional fees:</p> <p>Architect 4%</p> <p>Quantity Surveyor 1%</p> <p>Structural Engineer 1%</p> <p>Mech./Elec Engineer 1%</p> <p>Project Manager 1%</p>
Other Costs	<p>Marketing, sales and legal fees at 4% of sales costs.</p> <p>Purchaser costs at 6.5%.</p> <p>Debt finance rate at 6%</p> <p>Contingency 3% of construction costs</p>
Developers Profit	We have used a blended rate of 18.5% on GDV this includes 20% on market housing and 6% on affordable housing.
Timescales	<p>3 Month Pre Construction</p> <p>24 Month Construction Period</p> <p>20 Month Sale Period (phased)</p>

Table 6: Summary of Appraisal for Residential Flats

5 Residential Houses – Outcome of the Residual Appraisals

The result of our appraisals in respect of house transfer values, as backed up by the findings of our sensitivity analysis as discussed at Section 7 below, are as follows:-

House Type	Social Rented	Intermediate
Transfer Value per sq.m.	£861	£1,292

Table 7: Transfer Values Houses

As stated in Section 4 above, three separate scenarios have been considered across the Council's area, to ascertain a level for the transfer values that will prove workable in all situations. The results of the appraisals based on these three scenarios is set out below.

5.1 Scenario One (Hypothetical Scheme in a Low Value Area)

Scenario one is based upon the assumptions set out in Section 2.3 whilst using value area one, outlined in section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the hypothetical development would produce a positive residual land value slightly below the benchmark land value, which indicates that the project would be viable on this basis. At this level, our appraisal produces the following outcomes:

Residual land value: **£361,123 / Hectare (£146,204 / Acre)**

Net realisation: **£5,088,960**

Total costs: **£4,147,502**

5.2 Scenario Two (Hypothetical Scheme in a Medium Value Area)

Scenario two is based upon the assumptions set out in section 2.3 whilst using value area one, outlined in Section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the proposed development proposals produce a positive residual land value slightly below the benchmark land value indicating the project is viable. At this level our appraisal produces the following outcomes:

Residual land value: **£793,641 / Hectare (£321,176 / Acre)**

Net realisation: **£5,594,600**

Total costs: **£4,559,599**

5.3 Scenario Three (Hypothetical Scheme in a High Value Area)

Scenario three is based upon the assumptions set out in section 2.3 whilst using value area one, outlined in Section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the proposed development proposals produce a positive residual land value slightly below the benchmark land value indicating the project is viable. At this level our appraisal produces the following outcomes:

Residual land value: **£1,447,039 / Hectare (£585,597 / Acre)**

Net realisation: **£6,353,060**

Total costs: **£5,177,774**

6 Residential Flats – Outcome of the Residual Appraisals

The result of our appraisals in respect of flat transfer values, as backed up by the findings of our sensitivity analysis as discussed at Section 5 below, are as follows:-

Tenure Type	Social Rented	Intermediate
Transfer Value per sq m	£861	£1,292

Table 7: Transfer Values Flats

6.1 Scenario One (Hypothetical Scheme in a Low Value Area)

Scenario one is based upon the assumptions set out in section 2.3 whilst using value area one, outlined in Section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the proposed development proposals produce a positive residual land value slightly below the benchmark land value indicating the project is viable. At this level our appraisal produces the following outcomes:

Residual land value: **£153,595 / Hectare (£62,158 / Acre)**

Net realisation: **£5,142,120**

Total costs: **£4,190,828**

6.2 Scenario Two (Hypothetical Scheme in a Medium Value Area)

Scenario two is based upon the assumptions set out in section 2.3 whilst using value area one, outlined in Section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the proposed development proposals produce a positive residual land value slightly below the benchmark land value indicating the project is viable. At this level our appraisal produces the following outcomes:

Residual land value: **£587,161 / Hectare (£237,616 / Acre)**

Net realisation: **£6,045,400**

Total costs: **£4,601,001**

6.3 Scenario Three (Hypothetical Scheme in a High Value Area)

Scenario three is based upon the assumptions set out in section 2.3 whilst using value area one, outlined in Section 2.1

Having completed all of the inputs into the development appraisal process, the appraisal indicates that the proposed development proposals produce a positive residual land value slightly below the benchmark land value indicating the project is viable. At this level our appraisal produces the following outcomes:

Residual land value: **£1,237,509 / Hectare (£500,803 / Acre)**

Net realisation: **£6,400,320**

Total costs: **£5,216,261**

The results of the appraisal for flats is very similar to that for houses as regards resultant land value. There is a slight difference in the two sets of results, but not that is sufficiently large to justifying running two sets of rates to apply to transfer values.

7 Sensitivity Analysis

In order to establish whether the rates adopted at Section 5 and 6 are appropriate, we have carried out the following sensitivity analyses. These sensitivity analyses take as a starting point the results of the appraisals as detailed in Section 6 above. From that baseline level, adjustments have been made in both upwards and downwards directions to the adopted transfer values, in steps of ten pounds per square foot.

7.1 Residential Houses / Residential Flats Sensitivity Analysis

Transfer Values for Shared Ownership (intermediate)	Transfer Values for Affordable Rent	Effect on Residual Land Values
Per sq m	Per sq m	Per Acre
£968	£538	- £53,037
£1,076	£645	- £35,358
£1,184	£753	- £17,679
£1,292	£861	£0
£1,399	£968	+ £17,679
£1,506	£1,076	+ £35,358
£1,614	£1,184	+ £53,036

Table 8: Sensitivity Analysis

The above sensitivity analysis shows the impact on the appraisal results if the transfer values were changed in increments of £10 per sq ft. The residual land values generally become less appropriate the more that the transfer values move away from the core rates of £861 per square metre and £1,292 per square metre. This clearly shows that the rates identified in Section 6 above are the most appropriate ones that can be adopted

8 Summary and Conclusions

As set out above, our calculations show that appropriate transfer values on the basis that the Council has specified, are as follows:-

Property Type	Transfer Value (per sq m)	
	Social Rented / Affordable Rent	Intermediate / Shared Ownership
Houses / Bungalows	£861	£1,292
Flats	£861	£1,292

Table 9: Transfer Values

As stated above, this has been calculated largely by reference to the effect that the transfer values have on the land value that will be retained by the landowner. The sensitivity analyses show that, if the adopted numbers were increased or decreased significantly, then the retained land value would no longer be within what would be considered to be a reasonable range.

It should be noted that the results of the appraisals for the Area 1 sites and the Area 3 sites are lower than and greater than the appropriate land value rates respectively. This is however to be expected as an outcome at the lower and upper ends of the range of likely dwelling values.

8.1 Future Application of Transfer Values

The transfer values as identified in this report are all calculated as at the date of valuation.

Over time, all development appraisals will require review, to accommodate changing market circumstances and planning policies both on a local and national basis. This may mean in turn that the currently proposed transfer values will themselves require review.

Residual appraisals are affected by changes in a number of factors including but not limited to the following:

- “abnormal” costs related to, for example, ground conditions and the need for remediation and demolition.
- Interest rate fluctuations.
- Changes in market sentiment.
- Build costs in terms of the proposed quality envisaged by the respective developers and market fluctuations in terms of rising/falling building prices.
- Effect on sales value and rates of sale related to the performance of the local housing market.
- The extent of any other planning obligations.
- Development phasing.
- Amount of developer’s profit, which will be correlated with the risk profile.

However, it is also the case that in practice, many of these factors balance themselves out within the appraisals, and in the past particular levels of transfer value have remained generally appropriate for a considerable period of time before requiring review. It is not therefore possible to advise at this stage as to when the currently proposed transfer values will need to be reviewed.

9 Disclosures and Authorisation

9.1 Nature and Sources of Information Relied Upon

The information received from parties identified within the report has been relied upon as being accurate. Align Property Partners are therefore unable to accept responsibility for any errors, omissions or inaccuracies contained within.

9.2 Publication

Neither the whole nor any part of this valuation report nor any reference thereto may be included in any published document, circular or statement, nor published in any way without prior written approval from Align Property Partners of the form and context in which it may appear.

9.3 Taxation

No allowances have been made for liability for taxation.

9.4 Authorisation

We confirm that we have met the requirements as to competence and the definitions of an external valuer within the RICS Valuation – Global Standards 2020. Jake Gamble – Schofield BSc (Hons) Graduate Surveyor, has prepared the valuations and his work has been reviewed by Graham Tyerman MRICS, Principal Estates Surveyor of Align Property Partners and John Trenor MRICS Senior Surveyor of Align Property Partners.

Jake Gamble Schofield BSc (Hons) Graduate Surveyor

FOR AND ON BEHALF OF ALIGN PROPERTY PARTNERS

Report Reviewed and Approved by

Graham Tyerman MRICS Registered Valuer

FOR AND ON BEHALF OF ALIGN PROPERTY PARTNERS