

For:

Havant
BOROUGH COUNCIL

**Stage 2 of the
Local Plan Viability Assessment**

Final Report (v1.4)

May 2026

DSP24873A

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Executive Summary

Introduction/context

1. The following updated Stage 2 reporting (together with its Appendices 1 to 5) builds upon the Stage 1 assessment work reported October 2024 under DSP project reference 24873. Together, this now provides completed Viability Assessment (VA), prepared in an iterative way to inform and now support the emerging Local Plan (LP) – the ‘Building a Better Future Plan’ - now moving on to Regulation 19 and beyond, with Stage 1 having informed the Regulation 18 phase.
2. Following and building upon the Stage 1 approach and context for consistency, the current Appendices (May 2026) provide a guide to the assumptions made, as now revisited and expanded in scope (Appendix 1), set out in tables the further results (Appendices 2, 3, and 4) and include an overview of the updated research carried out to inform this (Appendix 5).
3. As an overarching statement, broadly this Stage 2 report retains the Stage 1 approach, and structure, and therefore continues to reflect much of its content. However, it revisits and adds or amends where new information and findings have become available to supplement the Stage 1 assessment work. With the VA prepared in this way, the earlier reporting also remains part of this now final information supporting the Havant Borough Council (HBC) forthcoming Regulation 19 consultation.
4. This assessment looks at the potential for development identified through the draft new Local Plan for Havant Borough (over the period to 2043) to be viable once the policies in the new plan are applied - alongside typical costs of development, and national standards and requirements.
5. National requirements include the Building Regulations. Those have tightened in various areas including climate change response (carbon reduction/energy efficiency), accessibility, water usage efficiency and electric vehicle charging. Other still relatively recently applicable/increased national requirements – in terms of the bedding-in processes - include the need to provide for Biodiversity Net gain (BNG). The typical costs of development include the building works, fees and finance, and costs of sale as well as land value, development profit and other

elements. These are all accounted for using input assumptions within a large range of appraisals that are run for the VA.

6. As is usual for this type of assessment over the recent period, and is the case here, the key local policy variables are:
 - Affordable Housing (AH - including its quantum i.e. % and tenure types)
 - Local policy response to climate change, and
 - Level of infrastructure/development mitigation required. The assumptions allow for the cost of the HBC adopted Community Infrastructure Levy (CIL) at its indexed rates, together with allowances made on section 106 (s106) planning obligations or similar costs.

These are the policy areas and requirements which are typically the costliest to support from the development finances. They therefore have most influence on viability and are key elements which need to be considered in the mix with other matters (including the need for their provision) and need to be positioned in combination by the Council as plan-maker. There are many other factors, but it is worth emphasising that providing affordable homes is invariably the most expensive requirement to meet and typically therefore has the most significant single policy impact on development viability. This was considered initially at Stage 1 and continues to be a key theme in this final Stage 2 VA.

7. Accordingly, viability in this context means the financial health of development. This varies with the specific site, location and nature of development involved, which will all influence both development values and costs. While various costs of development will be broadly consistent between similar scheme types, the variable viability supported by different locations, sites and other circumstances often means, in our experience, that there may need to be some consideration of differential policy positions to reflect and respond to this variety.
8. The LP and the VA are prepared at a proportionate, strategic level, however. So, in this context the application of 'Viability in Planning' principles is appropriately high level. The VA considers patterns and main themes, as the Council has continued

to, in informing the LP policies to Regulation Stage 19 in the current plan making process – leading to HBC’s intended submission of the new LP by the end of 2026.

Assessment approach

9. The assessment (VA) provision is consistent with the national Planning Practice Guidance (PPG) on ‘Viability’. That sets out how viability should be considered in plan making (as addressed here) as well as at the decision taking stage (for development control i.e. planning applications).
10. The PPG section on ‘Viability’ brings to life the principles in the National Planning Policy Framework (NPPF) that developer contributions and other policy requirements need to be clearly set out and need to be assessed. This aims to ensure that cumulatively (i.e. when applied together and alongside all other costs) the requirements will not undermine the deliverability of the plan.
11. Using the principles of ‘residual valuation’ within a well-established and tested assessment methodology, highly experienced consultancy Dixon Searle Partnership (DSP) was appointed to prepare this assessment – now considered and reported further - to reflect the comprehensive review work undertaken to complete the work to this final Stage 2.
12. Having also allowed for necessary development profit (using a base assumption here for market housing sales at 17.5% GDV – gross development value) the term ‘residual’ reflects the calculation which deducts all assumed development costs (including tested policy costs) from the estimated sales value.
13. The process (running of a great many development type appraisals) then produces a range of ‘residual land values’ (RLVs). These appraisals are run based on a range of development typologies which are test scenarios broadly representing the general nature – a cross section - of expected development types. More specific assumptions are then also used to initially assess the potential viability prospects for a sample of larger scale developments or development types, reflecting potential strategic or similar site allocation proposals. For this Stage 2, the focus of the further development of the assessment has involved:

- Looking again at the viability prospects for a range of general residential development typologies;
- Further reviewing the viability prospects for larger housing-led scheme typologies including adding a current stage review of the most significant housing site allocation proposal – Southleigh (Allocation 1);
- Considering through typologies aligned to the broad nature of development planned for on employment development proposal sites, the potential viability of those – high-level review.

14. The resulting numerous RLVs are then compared with judgments on a range 'benchmark land values' (BLVs) which are assessed to represent existing use value (EUV) of sites plus any necessary premium (uplift) needed by a landowner - to take a site out of existing use and release it for development. The comparison, across a wide range of scenarios and sensitivity tests at different sales value levels (VLs) and affordable housing (AH) proportions (%s) then informs the degree to which various development circumstances are considered able to support the emerging policy positions; alongside all other relevant requirements and costs.

15. The assumed potential sales values levels (VLs) of market housing have been considered across an overall range £4,000 to £5,200/m², then focussing on the narrower mid-range most relevant to housing delivery here. The range of VLs sensitivity tested per location/site is set out in Appendices 1, 2 and 3.

16. Using the existing use value (EUV) principles as the basis for considering land cost, the influence of BLVs across the range £250,000 (£0.25m) to £2,500,000 (£2.5m) per hectare (ha), overall, have been considered. The lower end of this range represents larger greenfield sites and strategic scale developments (usually agricultural land context) while smaller greenfield sites (for example agricultural/paddocks) may support a BLV of up to £500,000/ha. Within the overall BLVs range, viability in a range of brownfield site (previously developed land – PDL) circumstances sites is considered – reflecting sites in various/former industrial/commercial or other usually more valuable existing uses. The BLV levels used have been applied to the gross i.e. total site areas in all cases.

Stage 1 Draft VA findings overview – Recap

17. Overall, our Stage 1 assessment indicated the Council should consider the following approach to affordable housing policy headlines based on the preferred tenure scenario alongside other national and local policy requirements, tested cumulatively:

- 30% affordable housing (general non-strategic scale housing developments on GF land)
- 20% affordable housing (developments on PDL)
- 10% affordable housing (flatted only developments on PDL)

Stage 2 findings overview

18. Following this further stage of comprehensive review, the Stage 1 findings as summarised above remain relevant in respect of affordable housing viability scope.

19. To these, following further exploration and discussion with HBC on the supply and other local context, we have found greenfield hosted housing developments in the Emsworth Ward area (only) should support a differential policy layer at an increased 35% AH. This further finding is included in the main report body that follows, and it does not affect the other AH policy recommendations noted above – and which have been carried through to this Stage 2 VA reporting upon further checking.

20. Therefore, for completeness, the full set of AH policy differentials informed and supported by the VA work are as follows (bullets on following page extracted from para. 3.3.6 of the full report):

- 35% AH (Greenfield in Emsworth Ward only).
- 30% AH (Greenfield) – except for Emsworth Ward (as above) i.e. elsewhere in the borough and including as the headline for Southleigh.
- 20% AH (PDL) – borough wide. Exception for all-flatted schemes, as below.
- 10% affordable housing (PDL) – development entirely for flats/apartments (note: including specialist housing for older people). Again, intended for application borough wide.

Larger/strategic scale housing developments

21. The further assessment and review work has found that for larger/strategic scale housing or housing-led developments – including at Southleigh (as per the Allocation 1 proposals) - a 30% AH policy approach would also be appropriate, after considering the likely scope of works and supporting infrastructure involved.

Other policy positions

22. The above noted positions are supported alongside national development requirements and standards, along with the emerging draft local plan policy requirements – with the affects having been tested cumulatively. The scope of these other policies and requirements is set out in the full report detail. However, to briefly summarise, and assessed alongside the included assumptions on usual developments costs, the HBC CIL, and s106, the supported scope includes the following:

- Nationally Described Space Standard (NDSS)
- Accessible Homes (Building Regulations Part M4 (2) and (3))
- Green infrastructure/open space requirements
- Water efficiency
- Low Carbon Development
- Electric vehicle charging point
- Biodiversity Net Gain (BNG)
- Self and Custom-build
- Building Safety Levy (BSL)

- Habitats Regulations Assessment (HRA) – Solent Recreation Mitigation – Bird Aware Solent Revised Strategy 2025/26.
- Nutrient Neutrality

Overall conclusions – housing viability

23. Having reviewed the viability scope further, DSP considers that assessed together the policies proposed in Havant BC's Draft Building a Better Future Plan (as directly influence development viability) should support developments being able to come forward viably.

24. The emerging plan proposals continue to have reasonable viability prospects bearing in mind the range of scenarios planned for, and the length of delivery time involved, over which market conditions will vary and currently estimated extra-over costs associated with the stepping up of development standards can be reasonably expected to reduce.

25. We have acknowledged that all sites and schemes are different, and that some sites will face some viability challenges regardless of emerging policy requirements (particularly schemes on PDL and perhaps especially so schemes entirely of flats in their usual PDL setting, and town centre regeneration). However, overall, development on greenfield sites and mixed housing schemes on PDL should be able to progress on the whole, with affordable housing set at an appropriate level as proposed.

26. In all of this, it is important to reiterate the purpose of viability in planning is to inform and not constrain sustainable development; and in doing so enable the optimising of planning obligations as far as is practicable – aiming for balance.

27. This assessment stage was initially progressed during a spell when the property market had begun to stabilise further. Some more signs of cautious optimism were being reported following a period of steadier house prices and in which costs inflation was also back to more normal longer-term trend, gradual levels. At this point, however, we have noted that on finalising the reviewing for this VA stage, events in the Middle East appear to have placed the economy back into a state of

heightened uncertainty. Uncertainty also continues in regard to the further details to be announced and settled in the planning system.

28. However, as yet it is early days in terms of how deeply or for how long the effects of this latest crisis may be seen, and it is important to reiterate that while the assessment has been undertaken and assumptions and judgments necessarily made within a period in time, it is appropriate to aim to consider all this in the context of the overall long timeline of the new Local Plan.

High level review of employment use development sites/typologies

29. Some of the above context is also relevant beyond the housing market, as at Stage 2 this assessment also includes review of a selection of potential commercial/non-residential development typologies. These are focused on employment development in example forms – office complex, industrial/warehousing and higher spec space as might be used for research and development (R&D) purposes.

30. The purpose of this assessment element is to provide wider information for the council in considering the emerging plan and development growth beyond (but potentially also related to) the planned housing growth. HBC has also considered the viability of commercial/employment and other development use types at a high level through previous work on its CIL.

31. The draft emerging Building a Better Future Plan reviewed by DSP contains a small number of Employment Allocations. The plan also makes provision for the protection of employment sites. The nature and mix of uses on the proposed allocation sites are left open and ultimately will depend on market led activity. At this stage, taking the usual proportionate and appropriate approach, the further high-level review of viability continues to show mixed prospects at best, and this is when taking a positive view on the assumptions typically made in viability in planning.

32. We will summarise the main report findings content in this summary, as this element of review was not covered in the Stage 1 VA. The indications remain that investment in development will be supported to the extent that market appetite

exists at any stage, dependent on economic cycles and whether demand related to specific business plans or growth in certain sector will see schemes progress. Any pump-priming/grant monies could also be significant.

33. The Council is identifying a range of opportunities through the emerging plan policies. It does not appear to be promoting policies or requirements that will have an undue effect on scheme viability by exacerbating the effect of the continuing economic climate and property market uncertainty.
34. National and/or local requirements driving sustainable construction and increased energy efficiency should continue to be seen as appealing to developers'/investors' and occupiers' business plans and cost-effective operations, and their ESG criteria. Although as with the residential development market, added development costs are involved short term, these can reasonably be expected to reduce as the higher requirements and routes to meeting them become embedded. In the meantime, in the commercial property market there is more evidence that improved building spec and reduced running costs helps support demand for property and therefore the value of it. To date, the commercial property sector has if anything been running ahead of residential in the latter respect, where more energy efficient cheaper to run buildings are generally easier to market and let/sell and this will increasingly show in their investment characteristics and value compared with older, less efficient premises.
35. Acknowledging the nature and limitations of this, in a parallel process to the residential viability reviewing, appraisals have been run using a typologies approach. Assumptions have been broadly aligned to the nature of the emerging site proposals, based on general viability in planning principles and using the information available at the point of review.
36. The findings from this element of the exercise are mixed and at this point in time this also reflects the wider strategic viability assessment work that DSP has carried out elsewhere for some time now.
37. Overall, when making appropriate assumptions for viability in planning it is still not possible to say that there are universally good prospects for the viability of a full range of employment, commercial and other non-residential developments in a borough such as Havant and particularly on a speculative basis.

38. However, the progression of such schemes is very often underpinned by particular business or longer-term investment plans and drivers – i.e. for operational or other ownership/occupational reasons rather than necessarily the property development activity as such. This also means that the figures behind proposals progressing may well be different to the assumptions typically used in viability in planning exercises. The appraisal results included here do not necessarily indicate or determine that developments of these types will not come forward, therefore.

39. The full report, as follows, and its Appendices provide the detail of the viability assessment work undertaken and as now built further to this updating point, Stage 2.

Executive Summary ends – May 2026 reporting. Main report body follows.

1.0 Introduction

1.1 Introduction & Background

Important note: at the time of writing, a revised National Planning Policy Framework (NPPF) had just completed consultation with potential associated changes to the Planning Practice Guidance (PPG) anticipated. For avoidance of doubt, any reference to the NPPF in this document relates to the adopted NPPF 2024 (12th December 2024 as amended – minor amendments published on 7th February 2025).

- 1.1.1 Havant Borough Council (HBC) is in the process of developing a new Local Plan – the ‘Building a Better Future Plan’ to set the Council’s strategy for meeting the borough’s identified needs and supporting sustainable growth covering the period to 2043. The new LP will replace the adopted Core Strategy (2011) and Site Allocations (2014) Plans.
- 1.1.2 This report is the second part of a 2-stage reporting process commissioned by the Council to provide the viability evidence to support the emerging Plan. Stage 1 (“Stage 1 of the Havant Borough Council Local Plan Viability Assessment: Initial Viability Analysis for Affordable Housing Options”) was published by DSP in October 2024 and provided advice on the viability implications of affordable housing, taking into account known or expected costs of other local or nationally set policy requirements (for example low carbon design and housing quality standards) at that time and prior to the further development of the new Local Plan. It included recommendations on the overall likely viable proportion and tenure mix of affordable housing to be sought from qualifying sites (sites above the affordable housing threshold), taking into consideration both adopted policies and those emerging through the new Local Plan process.
- 1.1.3 This report (Stage 2) provides a whole plan viability assessment that builds on Stage 1 reporting and includes the consideration of key specific site allocations alongside updates to typology modelling (where necessary) and policy options in relation to affordable housing, low carbon design and housing

quality standards. This Stage 2 report should be read and considered in conjunction with Stage 1.

- 1.1.4 Using a well-established methodology consistent with PPG principles, whilst drawing on our extensive experience through to examination stages, the work was carried out by testing a range of site typologies alongside more detailed assessment of the key strategic site allocation proposals at Southleigh, as intended to be included in the Local Plan. The development identified in the emerging plan should not be subject to such a level of obligations and policy requirements that the viability of bringing sites forward is unduly threatened.
- 1.1.5 A Local Plan must be prepared in accordance with the requirements set out in the National Planning Policy Framework (NPPF) and the accompanying national Planning Practice Guidance (PPG). Viability testing is an important part of the plan-making process. The NPPF includes a clear requirement to assess viability of the delivery of Local Plans and the impact on development of policies contained within them. The key guidance on how to address this is within the PPG, while other publications also provide reference sources.
- 1.1.6 This viability assessment has been produced in the context of and with regard to the NPPF, PPG (including crucially on 'Viability' but also consistent with other PPG sections such as on Planning Obligations) as well as other Guidance¹ applicable to studies of this nature. After setting out the assessment context, purpose and general approach within this 'Introduction' section, the following report structure, on the study detail, is presented over two main sections as included below (brief outline here):
- **Methodology** – Approach to the study, residual valuation methodology, assumptions basis and discussion;
 - **Findings Review** –this section summarises the overall findings, including the typology test results and the strategic site review at the current stage, commenting on the strength of viability across a range of affordable housing proportions and other key policy requirements, including any specific

¹ Including RICS re-issued April 2023 Professional Standard 'Assessing viability in planning under the National Planning Policy Framework 2019 for England' (formerly introduced March 2021 as guidance effective 1st July 2021); 'RICS Professional statement on Financial viability in planning – conduct and reporting' (1 September 2019) and 'Local Housing Delivery Group – Viability Testing Local Plans' (Harman, June 2012)

infrastructure needs. It sets out recommended viable parameters and any potential options or alternatives, in the context of the viability of the Plan as a whole, taking into account the combined impact of the Council's emerging policies (including viable affordable housing percentages) and the review of the strategic site proposals based on the information currently available.

- 1.1.7 The testing of Local Plans for viability does not require a detailed appraisal of every site anticipated to be developed over the plan period, but rather a proportionate test of a range of appropriate site typologies that reflect the potential nature mix of sites likely to come forward. The process should however include more specific consideration of any key proposals upon which the Plan relies overall for the delivery of its growth objectives – e.g., particular strategic sites and especially where there has not been more specific work underway already as schemes progress to or reach DM stage.
- 1.1.8 The local plan viability assessment focuses on emerging policies that have a clear, measurable impact on overall development costs, rather than every possible policy. In practice, this means considering primarily the viability of housing development and related policy options. The Council has much less ability to influence the viability of other types of development (such as non-residential, employment or commercial schemes) through local planning policy, and there is no equivalent to affordable housing policy or the wider range of standards that apply to housing. Here, emerging policies affecting non-residential viability are essentially limited to sustainable construction, biodiversity and the wider development aims of the new Plan however this assessment includes a high-level review of non-residential and employment uses where relevant.
- 1.1.9 In practice, within any given scheme there are many variations and details that can influence the specific viability outcome. Acknowledging that, this work provides a high level, area-wide overview that cannot fully reflect a wide range of highly variable site specifics.
- 1.1.10 The point in time at which an assessment such as this is carried out alongside prevailing economic and housing/property market conditions as schemes come forward, can also greatly affect the viability and deliverability of particular developments. It is necessary to consider also that the Local Plan

will be delivered over a relatively long timeframe and most likely through varying economic cycles, meaning that taking only an immediate/short term view of assumptions and judgements is not appropriate in this context (whereas it will be more so in most development management 'decision taking' – situations). All in all, there are many variables involved. Such an assessment seeks to take a course through the consideration of these and how they converge in looking at the potential for policy and developments to be viable - at this strategic level.

1.2 Havant Borough Council Area - Profile

- 1.2.1 The new Local Plan will set out the spatial characteristics of the Plan area. This report section provides an outline only, feeding into the consideration of the local characteristics that are influencing the emerging Plan direction and therefore the review of policies and their viability in the relevant local context. The Council's wider evidence base provides an extensive range of information on the nature of the Local Plan area, and the related planning issues and opportunities.
- 1.2.2 Havant Borough is a compact, mainly urban and coastal authority on the south coast, with strong links to Portsmouth and the wider South Hampshire area. It contains established town centres, suburban neighbourhoods and coastal communities, together with areas of employment land and key transport corridors. The key settlements include Havant and Bedhampton, Emsworth, Leigh Park, Waterlooville and Hayling Island.
- 1.2.3 Environmental designations, coastal and flood-risk constraints, and limited unconstrained land restrict where and how intensively development can come forward, and these factors, alongside regeneration priorities and infrastructure needs, strongly shape the emerging Local Plan strategy and the viability of its policies.
- 1.2.4 Havant Borough covers around 55 square kilometres in south Hampshire and had a population of about 124,200 in 2021, giving it a relatively high population density by national standards. The Government-derived local housing target is 17,840 new homes to 2043 (892 per year), based on the

standard method, while the Council estimates that approximately 8,548 homes can realistically be delivered over the same period, creating a significant shortfall between need and capacity.

- 1.2.5 Overall, the Plan is expecting to make provision for 7,087 net additional homes over the period to 2043, averaging around 337 per year, and the Council recognises its ongoing duty to maintain a five-year housing land supply, setting out a policy framework for managing any future shortfalls.
- 1.2.6 A further core objective, reflecting the NPPF, is to support a strong and competitive economy; the Council has a positive economic strategy, including proposed town-centre regeneration and provision for approximately 135,000 sqm of additional employment floorspace (net) across the Borough. This level of employment provision is intended to underpin continued economic growth, maintain a choice of sites to meet business needs, and protect existing employment areas for redevelopment and intensification where appropriate.

1.3 National Policy & Guidance

- 1.3.1 The requirement to consider viability stems from the National Planning Policy Framework (NPPF) which says on 'Preparing and reviewing plans' at para 32: 'The preparation and review of all policies should be underpinned by relevant and up-to-date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.'
- 1.3.2 NPPF para 35 on 'Development contributions' states: 'Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.'
- 1.3.3 Relating to decision taking, Paragraph 59 of the NPPF states: 'Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be

given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning practice guidance, including standardised inputs, and should be made publicly available’.

- 1.3.4 The national Planning Practice Guidance (PPG) on ‘Viability’, published alongside the NPPF, provides more comprehensive information on considering viability in plan making (and decision taking), with CIL viability assessment following the same principles. The PPG on Viability states:

‘Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure).

These policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106. Policy requirements should be clear so that they can be accurately accounted for in the price paid for land. To provide this certainty, affordable housing requirements should be expressed as a single figure rather than a range. Different requirements may be set for different types of site or types of development... Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan’.

- 1.3.5 The PPG states that site promoters should engage in plan making and should give appropriate weight to emerging policies (paragraph 006). The PPG also emphasises the importance of consideration of viability at the plan making stage; therefore, if a planning application is submitted which proposes contributions at below the level suggested by policy, the NPPF expectation is

that the applicant will need to demonstrate what has changed since the Local Plan was adopted (paragraph 008).

- 1.3.6 However, the PPG (paragraph 011) is clear in stating that: *'In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission'*.
- 1.3.7 Planning and in particular national policy are constantly evolving processes, with the current environment for these being especially uncertain and fluid – potentially subject to significant further change. A viability assessment such as this, however, is necessarily carried out at a point in time based on knowledge of the system and policies in place at that time or – to the extent that may be practical - taking into account likely changes to policy moving forward (for example through further sensitivity testing or commentary). It needs to be acknowledged however that no study can cover every future eventuality and as far as possible there is a need to avoid re-starting projects at great cost.
- 1.3.8 Information on the assumptions used in this assessment is provided in Chapter 2 below and within the appendices to this report at Appendices 1 to 5.

2.0 Methodology and Assumptions

2.1 General Approach

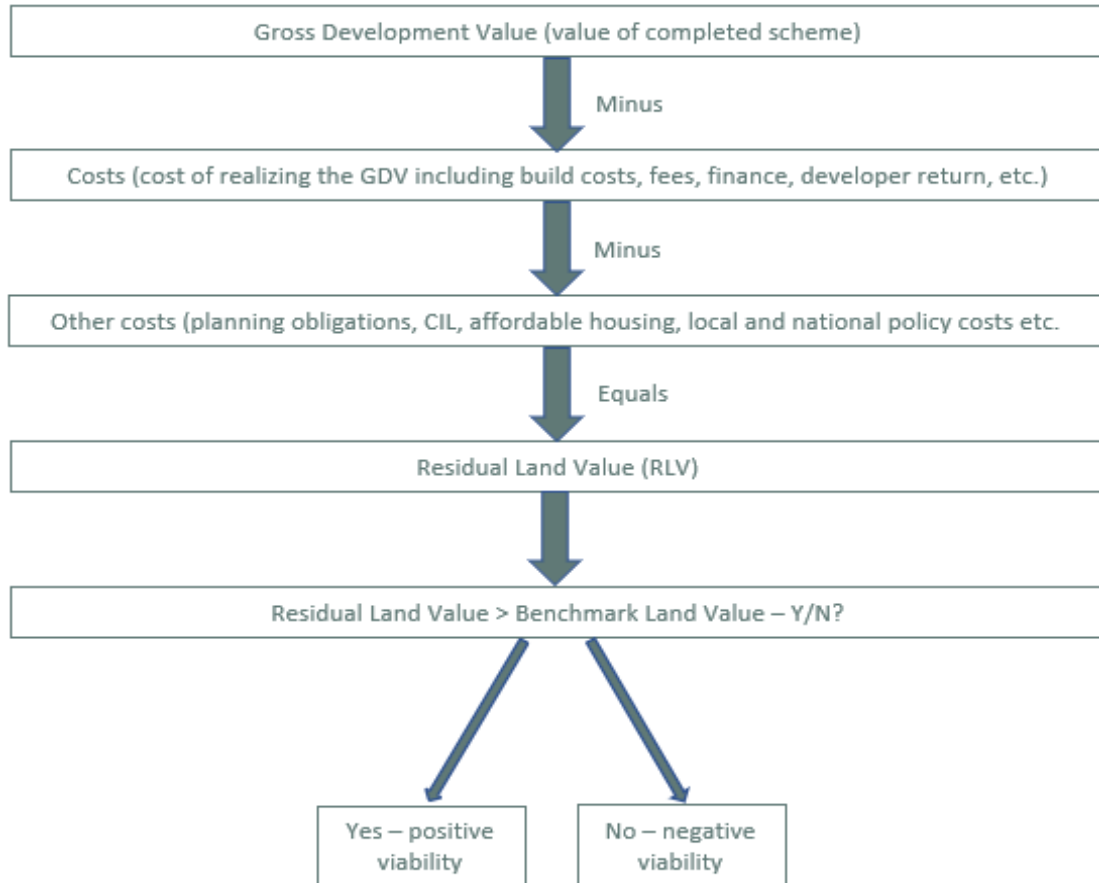
- 2.1.1 The assessment as described in this report has involved an ongoing approach to informing the development of policies of the Local Plan (LP) and all conducted based on dialogue with the Council – with information feeding into and out of the study. To recap, Stage 1 of this assessment was completed in October 2024, primarily in order to inform the viability of affordable housing options locally, considered as part of the collective costs of development and reflecting other policy costs.
- 2.1.2 Building on Stage 1, this report completes a full, robust local plan viability assessment to support and evidence the Council’s policy direction. Overall, to an appropriate degree this process is an ongoing and evolving one, with viability modelling feeding into decision making processes around the viability of sites and policies. A single assessment such as this however does not truly reflect the work that the Council and DSP put in to ensure that a robust and viable set of sites and policies can be delivered – although necessarily proportionate, it has been an ongoing 2-way process run comprehensively. The process cannot fully reflect all individual sites and circumstances.
- 2.1.3 This report sets out the key assumptions used to model viability in the local plan context and provides our findings and parameters scoping / recommendations from which the Council is able to inform or check final decisions on specific policy choices and balances, reflecting its local circumstances and comprehensive wider evidence base as well.

2.2 Residual Valuation Principles

- 2.2.1. The most established and widely accepted approach to assessing development viability at a strategic level – including whole-plan viability, but also frequently for site-specific assessments – is the residual valuation method. This aligns with the relevant guidance outlined above. Figure 1 summarises, in simplified form, the core principles of the residual valuation

calculation, which underpins the appraisals used to generate our results and findings at all stages.

Figure 1: Simplified Residual Land Valuation Principles



(DSP2026)

2.2.2. As Figure 1 indicates, residual land valuation starts from what the completed development is expected to be worth (gross development value or GDV) and works backwards to determine a land value while still leaving a normal profit for the developer. In the context of viability in planning, this involves estimating the gross development value (GDV), subtracting all development costs (build, fees, finance, policy requirements like affordable housing and infrastructure, plus a reasonable developer return), and whatever is left is the residual land value; if this is at or above an appropriate benchmark (typically existing use value plus a premium), the scheme is considered viable in planning terms. In reality, definitive cut-offs create a false level of accuracy and as such results need to be considered as approximations within bands of potential results.

- 2.2.3. The assessment is based on monetising those potential local or national policies that may add cost to development to understand the impact on viability of those when considered cumulatively alongside the usual costs of development.
- 2.2.4. This assessment is consistent with the NPPF and accompanying PPG on Viability, with the latter making it clear that benchmark land value (BLV) should be based on Existing Use Value (EUV) plus a suitable premium and states at paragraph 014:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called ‘existing use value plus’ [‘EUV+’].’

- 2.2.5. The NPPF and associated PPG on Viability continue to emphasise the greater link between the role of strategic level viability work such as this assessment and the decision making (development management of planning applications/delivery) stage.
- 2.2.6. However, and consistent with our experience in practice to date, it appears likely that there will (and is) still be a role for planning application stage / site-specific viability reviews but that it is *‘up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage²*. An indication of the types of circumstances where viability could be assessed in decision making is also included in the PPG. These include: *‘for example where development is proposed on unallocated*

² <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 008 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

*sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force*³. There may be the potential for the development of some site typologies or sites identified by the Council to need to overcome abnormal issues and support added costs. The national approach recognises that within this picture and/or at certain stages in the economic cycles there could be sound reasons for site-specific viability evidence to be brought forward at the delivery stage in such circumstances; as a part of ultimately settling the development details and exact degree of support that can be maintained for planning obligations to secure infrastructure.

- 2.2.7. The range of assumptions that go into the RLV appraisals process is set out in more detail in this chapter. Further information is also available within Appendix 1 – Assumptions Summary.

2.3 Stakeholder Engagement

2.3.1 National policy and guidance emphasise the importance of effective stakeholder engagement. For this study, we undertook that engagement through a survey seeking information and views to inform and test our emerging assumptions, followed up with targeted discussions where appropriate. The focus was on drawing in input and practical examples grounded in local experience.

2.3.2 The surveys were issued as follows: -

- Development Industry (including site promoters of the strategic scale development allocation at Southleigh).

³ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> (Paragraph: 008 Reference ID: 10-006-20190509
Revision date: 09 05 2019)

- AH Providers – a range of locally active affordable housing providers, identified through the Council’s housing enabling work, were engaged for input. While general feedback was welcomed, these organisations were specifically surveyed to provide insights specifically into affordable housing revenue expectations when developers construct and transfer homes to registered providers (RPs), as well as the assumptions underlying these transactions.

2.3.3 A comprehensive log is maintained of all stakeholder interactions, including parties contacted, reminders, responses, and overall engagement levels. While specific feedback details are excluded from the published report due to confidentiality, this input, along with council-provided data, independent research, and expertise, informs the assumptions, analysis, and judgments at all assessment stages.

2.4 Scheme Development Scenarios - Residential Typologies and Southleigh Strategic Scale Site Allocation

2.4.1 The scenarios (typologies) considered and appraised as part of this assessment reflect the variety of different types of development that are being brought forward through the planning process across the plan area. They include a mix of residential test scenarios that cover a range of site sizes, types, host site typologies, and reflect the Council’s goals for optimising land use, quality, and density.

2.4.2 While this cannot be and does not need to be an exhaustive exercise as the guidance recognises, in order to adopt a relevant range of residential development typologies, we have considered with HBC the broad nature of the housing supply expected to come forward over the emerging plan period.

2.4.3 Building on the Stage 1 work, a wide range of housing development typologies were assessed across various value levels (VLs) to capture differences in residential sales values by location and type within the Local Plan area. This sensitivity testing approach also explored how market fluctuations, such as rising or falling values, might affect development viability over time. It

considered the influence of location, development type, and scale on this key assumption.

2.4.4 A summary of the residential scheme typologies is shown at Figure 2 below, with the full detail set out in Appendix 1.

Figure 2: Residential Site Typologies

Scheme Size Appraised	Type	Site Type - Description*
5	Houses	GF/ PDL
10	Houses	PDL
15	Flats	PDL
20	Houses	GF
45	Flats (Sheltered)	PDL
50	Mixed (Houses/Flats)	GF
50	Mixed (Houses/Flats)	PDL
50	Flats	PDL - Town Centre
75	Flats (Extra Care)	PDL
75	Mixed (Houses/Flats)	PDL
100	Flats	PDL - Town Centre
150	Mixed (Houses/Flats)	PDL
350	Mixed (Houses/Flats)	PDL
550	Mixed (Houses/Flats)	GF

(DSP 2026)

2.4.5 In addition to the use of the site typologies approach, this assessment considers the viability of the largest site allocation within the Plan, Allocation 1: Southleigh.

2.4.6 The level of detail available at this stage to enable viability modelling is variable, acknowledging that at this stage this remains relatively early in the context of the overall progression of proposals and envisaged timelines. This is relatively normal when considering strategic development sites such as those proposed for Southleigh within the context of a local plan viability assessment, where often detailed proposals are not available. Nonetheless,

we have undertaken modelling based on the information available to date. The modelling also takes a slightly different approach to that used for the general site typologies. In this case the maximum residual surplus or deficit is calculated (after finance) at varying affordable housing proportion sensitivity tests (20% - 50%) by fixing the land value and profit assumptions in the appraisal having made assumptions with regard to known infrastructure and policy asks. This surplus (or deficit) can then be considered in the context of overall likely infrastructure requirements (where those are not completely understood at this stage) and affordable housing sensitivity tests. The main assumptions applied are again noted in Appendix 1.

2.4.7 As part of considering both the site typologies and specific strategic scale development allocation, seeking to make these as representative as possible of the emerging policy approach, an assumption is made in relation to dwelling mix, for which we have adopted the principles set out in Figure 3 below and Appendix 1. These dwelling mix principles are based on information provided to DSP by HBC using the Council’s Housing Needs Analysis (HNA - Turley, 2023). These remain unchanged in the 2026 Addendum to the HNA.

Figure 3: Dwelling Size & Mix Assumptions

Property Type	Size (sqm)	Market Units	Affordable Units
1-bed flat	50	8%	30%
2-bed flat	61	25%	10%
2-bed house	79		25%
3-bed house	93	46%	25%
4-bed house	130	21%	10%

Property Type	Size (sqm)
1-bed flat – age friendly / sheltered	55
2-bed flat – age friendly / sheltered	75
1-bed flat – extra care	58.5
1-bed flat – extra care	76

(DSP 2026)

- 2.4.8 In all cases, assumptions are made using a “best fit” approach for both the mix of market and affordable dwellings, combined with target affordable housing tenure assumptions. This approach accounts for rounding effects and the practical limitations of representing every aspect within a single scheme, particularly in smaller developments or those with lower proportions of affordable housing.
- 2.4.9 The dwelling mix requirements identified in the HNA represent borough-wide needs and should not be interpreted as prescribing specific mixes for individual sites (particularly as sites may comprise solely flatted or solely housing typologies). Although indicative mixes identified above have been modelled where this is appropriate for the relevant scheme typology, it should be recognised that housing needs assessments are periodically updated and may not always correspond precisely with the assumptions adopted in this study. This is an expected occurrence and does not compromise the robustness or validity of the assessment, nor does it necessitate revising the viability assessment following each HNA update.
- 2.4.10 The dwelling sizes assumed in this study, based on gross internal area (GIA), follow the Nationally Described Space Standard (NDSS) as outlined in Figure 3. HBC intends to adopt this standard in the new Local Plan. While actual developments will feature a wide range and mix of dwelling sizes varying by scheme and location, this high-level study tests a sample of scenarios and assumptions rather than all possible variations. This approach is sufficient to provide an appropriate overview, consistent with the guidance.
- 2.4.11 Since there is a relationship between dwelling size, value and build costs within the market housing, it is the relative levels of the values and costs that are most important given the nature and purpose of this study (i.e. with values and costs expressed and reviewed in £/sq. m. terms); rather than necessarily the specific dwelling sizes to which those levels of costs and values are applied in each case. With this approach, the indicative ‘Value Levels’ (VLs) used in the study can then be applied to varying (alternative) dwelling sizes, as can other assumptions. Although methods vary, an approach to focussing on values and costs per sq. m. also fits with a key mode that developers and others tend to use to assess, compare/analyse and price schemes. It provides a more relevant context for considering the potential viability scope across the

typologies approach, as part of considering relative policy costs and impacts, and is also consistent with how a CIL is set up and charged (as prescribed under the regulations).

2.4.12 The dwelling sizes are expressed in terms of gross internal floor areas (GIAs) for houses (with no floor area adjustment – i.e. 100% saleable floorspace). For flats, the additional cost of constructing communal/shared non-saleable areas also needs to be taken into account. For example, the general needs flatted typology development tests assume a net:gross ratio of 85% (i.e. 15% communal space). The age-friendly housing scenario testing assumes a lower proportion of saleable floorspace compared with typical general needs flats, at 75% (i.e. 25% communal) which is then further reduced through the selected assumptions to 65% saleable (35% communal) for the extra care-type development typologies.

2.4.13 We consider these to be reasonably representative of the types of homes and other space coming forward within the scheme types likely to be seen most frequently providing on-site integrated AH, although again we acknowledge that all such factors will likely vary to some extent from scheme to scheme. It is always necessary to consider the size of new build accommodation in looking at its price per sq. m. rather than its price alone.

2.4.14 At this level of strategic overview, we do not differentiate between the overall value assumed per sq. m. for flats and houses although in reality we often observe an inverse relationship between the size of a property and its value when expressed in terms of a £ sales value rate per unit area (£/sq. m or £/sq. ft. or shown as £/m² or £/ft²).

2.5 Commercial/Non-residential Development

2.5.1 To provide wider information for the LP and related delivery, this study also initially considers a range of potential commercial/non-residential development typologies. These scenarios have been developed and checked against wider information and research analysis, including the local commercial market offer – existing development and any new schemes/proposals. Figure 4 sets out the scheme types (typologies basis) appraised, provided as additional information

covering non-residential development uses that may come forward across the Plan area. The Council has also considered viability of commercial development through previous work on its CIL (and informing a previously examined 2021 Draft CIL Charging Schedule review that has not been implemented).

2.5.2 The commercial/non-residential aspects of this study adopt the same (residual valuation) methodology as described earlier in this report, considering the variable strength of the relationship between the development values and costs associated with different scheme types. Appendix 1 provides more information on the scope of assumptions used to assess the typologies outlined in Figure 4 below.

Figure 4: Commercial / Non-residential Development Typologies

Use Class / Type	Example Scheme Type
Business - Offices - Out of town centre or Business Park	Office complex
Business - Research & Development	R&D / Mixed high spec. space
Business - Industrial or Warehousing	Medium industrial / warehousing unit including offices - industrial estate
Business - Industrial or Warehousing	Larger industrial / warehousing unit including offices - industrial estate

(DSP 2026)

2.5.3 Following the same principles and general process as the residential scenarios, a variety of sources were researched and considered in support of setting the assumptions. This includes information on rents, yields, sales comparables, land values and other development assumptions. The sources of information include CoStar Commercial Real Estate Intelligence resource, the VOA Rating List, other web-based review as well as feedback as available from the development industry consultation. Supplementary information sources included articles and development industry features sourced from a variety of construction related publications; and in some cases, property marketing details.

2.5.4 Collectively our research enabled us to apply a level of “sense-check” to our proposed assumptions, whilst necessarily acknowledging that this is high level

work and that a great deal of variance is seen in practice from scheme to scheme. The full research review is provided within Appendix 5 to this report.

2.6 Scheme Revenue (Gross Development Value/GDV) – Residential

2.6.1 Market housing sale values are a key component of the appraisal assumptions. To ensure a proportionate yet robust evidence base, data is gathered from a variety of sources, as outlined below. Our practice is to consider all available sources to inform our independent overview - not just historic data or particular scheme comparables, including:

- Previous viability studies as appropriate;
- Land Registry;
- Valuation Office Agency (VOA);
- Property search, sale / market reporting and other web resources;
- Development marketing websites;
- Any available information from stakeholder consultations

2.6.2 A structured approach is required for collecting and reviewing property value data. A comprehensive assessment of the residential market has been undertaken to capture and appropriately represent the variations in residential property values across the Local Plan area at a level suitable for strategic analysis. Data was compiled by parish or ward, postcode, and settlement area to ensure coverage of the different parts of the Borough.

2.6.3 The data was analysed using both sold and asking prices for new-build and re-sale property. New build property sales and asking prices are important to ensure that values used in appraisals are reflective of current market conditions and likely achievable values for new development (sensitivity tested for changes over time). Resales data (of which there is normally a larger sample size) is useful, in supplementing the new build data, for understanding general values patterns. Information was also requested via the stakeholder consultation surveys.

- 2.6.4 This analysis allows us to understand how observed patterns and levels of property values correspond with the areas expected to deliver the majority of new housing over the plan period.
- 2.6.5 Overall, this research indicates an overall average of around £4,500 - £4,600 per sqm across the borough with variations by location with typically lower values in Leigh Park and higher values within Emsworth and Bedhampton. Further detail is set out in Appendix 1 and Appendix 5. It should also be noted that different values can be seen within individual developments dependent on design, orientation etc., at opposing sides of roads, within settlements or localities and based on other variables – as well as variations between settlements and areas of course. Values patterns are often indistinct and especially at a very local level. However, in this study context we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period.
- 2.6.6 Based on our research and established assessment methodology, we have assigned assumed property ‘Value Levels’ (VLs) to each typology, ranging from VL1 (lowest) to VL13 (highest). These VLs span approximately £4,000/m² to £5,200/m², reflecting the range of new-build sale prices expected across different locations within the Local Plan area. Following Stage 1 of this study, further research and analysis has been undertaken to update the values data. Whilst this has led us to increase the number of value levels (by effectively taking a finer grained view with reduced ‘gaps’ between value levels), the overall range and general relationships have remained consistent.
- 2.6.7 For the purposes of this Stage 2 assessment, we consider the most relevant new-build values for overall housing delivery to fall between £4,200/m² (VL3) and £5,000/m² (VL11). Flatted schemes may also achieve values above typical base levels due to the inverse relationship between property size and £/m² values or due to the influence of wider regeneration objectives particularly in the context of town centre locations (e.g. Havant, Waterlooville and Leigh Park). This does not imply that all values will fit neatly within these ranges; rather, the VLs represent the key portion of the broader value

- spectrum likely to be observed. Values in the Emsworth area of the borough are higher than are typical overall, and this is a factor that will influence the potential policy considerations and for example opportunity for a differential approach on affordable housing in some circumstances if appropriate – for further review from Stage 1.
- 2.6.8 It is important to recognise that house price data is highly sensitive to timing, as the number and type of transactions available for any location at a given point can vary significantly. In some instances, small sample sizes—where limited price information exists—may lead to inconsistent or unrepresentative results. This is a common issue and not unique to Havant Borough. Nevertheless, these limitations do not prevent us from forming a reliable high-level understanding of how values typically differ between ward areas, given the diverse characteristics across the borough.
- 2.6.9 Given that property value assumptions are a key variable—and likely to become even more significant as market conditions evolve—we undertook a comprehensive set of sensitivity tests. These tests cover a wide spectrum of values to reflect both recent and current market conditions, as well as to explore the potential impacts of higher or lower value scenarios. Our modelling therefore spans the full range of value sensitivities, as detailed in the appendices.
- 2.6.10 The values research was undertaken during the course of 2025 and into early 2026 for further checking purposes.
- 2.6.11 Recent data indicates that Havant’s housing market has remained relatively stable with modest growth. The average house price reached £317,000 in December 2025, a 2.1% annual increase from December 2024 with variations depending on property type. For example, the value of semi-detached homes increased by 3.6%, whereas the value of flats fell by 1.2% over the same period, reflecting softer demand for apartments locally.
- 2.6.12 Nationally, the previous strong price surges seen (for example during 2020–2022) have steadied, with demand shifting back toward houses over flats. Havant mirrors this pattern broadly, with house prices having risen and flat prices softened, again in overview terms.

- 2.6.13 Although the Havant housing market shows relative stability, it is still shaped by national macro-economic pressures. The UK has recently experienced a high-interest-rate environment, which has cooled activity and reduced affordability and national analysis shows many localities - including those in the South East - have been exposed to rising mortgage and rental costs during 2023-2025.
- 2.6.14 Rising borrowing costs are a major contributor to the reduction in transactions seen locally with elevated inflation over recent years reducing disposable incomes, limiting buyer capacity and slowing upward price movement. Havant's modest price growth (2.1% annually) reflects these constraints, compared with slightly higher national growth (UK average rose from £264,000 to £270,000).

[Source:

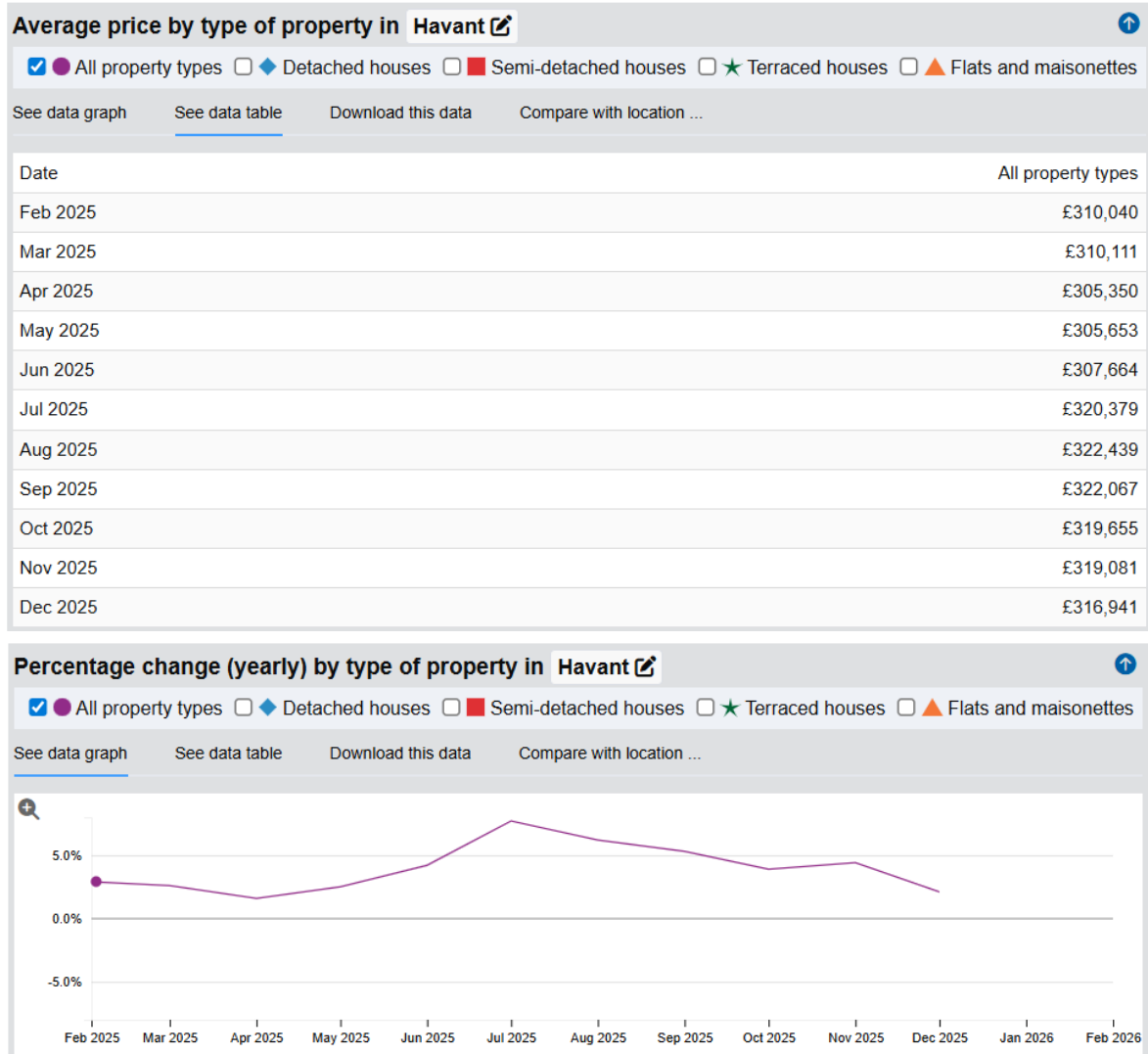
<https://www.ons.gov.uk/visualisations/housingpriceslocal/E07000090/>]

- 2.6.15 Transactions have also been down significantly compared to historic norms reflecting a subdued market, consistent with regional and national slowdowns. Transactions have fallen 29.7% since 2014, broadly aligned with wider South East and England trends.
- 2.6.16 The South East remains one of the UK's economically stronger regions, providing some insulation from market volatility. However, Havant's lower price base and reduced transaction volumes show its sensitivity to broader economic cycles.

[Source: <https://builtplace.com/wp-content/uploads/reports/Market-Summary/2026-02/Havant.pdf>]

- 2.6.17 Figure 5 below includes the average house price movements over the previous 12 months of available data – latest available Land Registry House Price Index (HPI) overview (all property types in Havant Borough).

Figure 5: HPI Data for Havant Borough



Source: <https://landregistry.data.gov.uk/>

2.6.18 The Royal Institution of Chartered Surveyors (RICS) in their UK Residential Market Survey (February 2026) state:

‘The February 2026 RICS Residential Market Survey results paint a mixed picture. While some contributors point to a more encouraging start to the year in terms of activity, more recently, this momentum appears to have been tempered by heightened geopolitical and macroeconomic uncertainty following the escalation of the conflict in the Middle East. As a result, near-term expectations have suffered a renewed setback, even though the twelve-month outlook for the market remains broadly positive for now’.

- 2.6.19 The Savills UK Housing Market Update for March 2026 reports cautious conditions with modest price growth amid emerging geopolitical risks. House prices rose 0.4% month-on-month in February (Nationwide), delivering 1.0% annual growth, while sales activity strengthened post-November budget to align with 2017-19 averages (79,880 transactions in January).
- 2.6.20 RICS surveys indicate falling buyer enquiries against rising stock levels, reducing supply-demand imbalances and limiting price upside. Three-month price growth turned positive at 0.1% (Nationwide), though other indices report minor softening.
- 2.6.21 Savills projects 2.0% UK house price growth in 2026, accelerating to 22.2% cumulatively by 2030, with northern regions outperforming at 28.8%. The South East indicates more moderate growth – cumulatively 17% by 2030; the poorest predicted performance outside London.

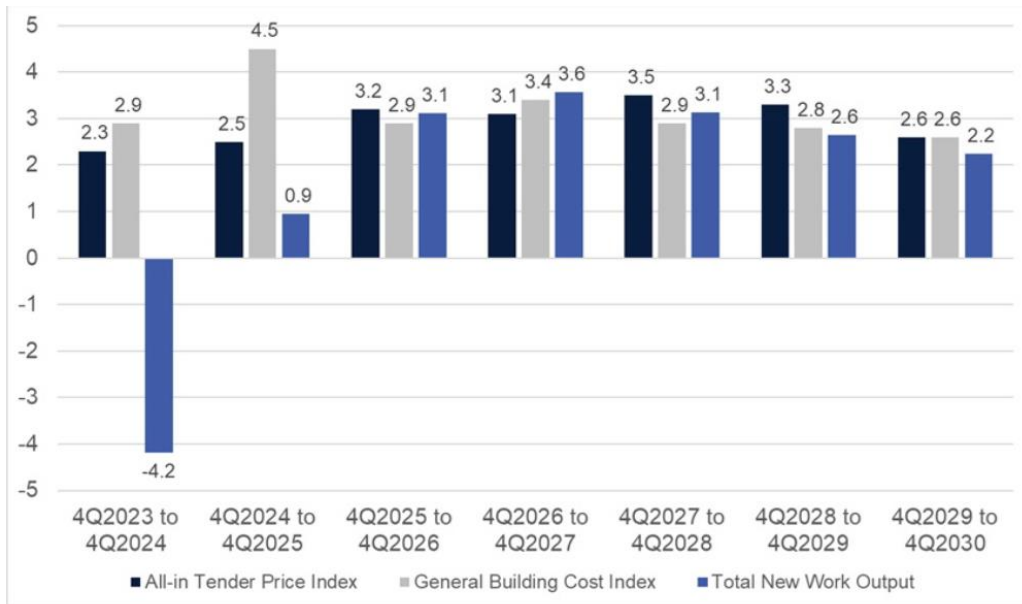
Figure 6: Savills UK Housing Market Update

Region	2026	2027	2028	2029	2030	5 years to 2030
UK	2.0%	4.0%	5.0%	5.5%	4.0%	22.2%
London	0.0%	2.0%	3.5%	4.5%	3.0%	13.6%
South East	1.0%	3.0%	4.0%	4.5%	3.5%	17.0%
East of England	1.5%	3.5%	4.5%	5.0%	3.5%	19.3%
South West	2.0%	4.0%	5.0%	5.0%	3.5%	21.0%
East Midlands	2.5%	4.0%	5.5%	6.0%	4.0%	24.0%
West Midlands	2.5%	4.5%	5.5%	6.0%	4.0%	24.6%
North East	3.5%	5.5%	6.0%	6.0%	5.0%	28.8%
Yorks & Humber	3.5%	5.5%	6.0%	6.0%	5.0%	28.8%
North West	3.0%	5.5%	6.0%	6.0%	4.5%	27.6%
Wales	3.0%	5.0%	6.0%	6.0%	5.0%	27.6%
Scotland	3.0%	5.0%	6.0%	6.0%	5.0%	27.6%

Source: <https://pdf.savills.com/Housing+Market+Update+March+2026+Final+Version+PDF.pdf>

- 2.6.22 Construction costs over the same period are forecast to grow but at a lower level than house price growth as Figure 6 illustrates:

Figure 6: Summary of BCIS forecasts (Tender Price Index & Materials Costs)⁴



(DSP sourced from BCIS 2026)

2.6.23 On market conditions, movements and values, the key point to reiterate is the Local Plan timeline which is projected to run to 2043. This drives the long-term strategic overview that is needed, across which it is appropriate to make more typical assumptions reflecting potentially a middle line through various economic cycles. Again, it is not appropriate to assume only the downside risks and inputs related to deteriorating or poor economic conditions and a tougher housing market for development (such as has been experienced generally, to a varying degree, while progressing this assessment).

2.6.24 We have not made any particular values uplift allowance for scheme marketing and values benefitting from the latest and forthcoming new dwellings meeting higher standards (including environmental standards). Information on this remains limited and mostly anecdotal still, but again we could reasonably expect the influence of this on viability to be positive over time. Longer term, it should not be necessary to consider accommodating still

⁴<https://online.bcis.co.uk/Briefing/Briefing/3770?returnUrl=%2FBriefing&returnText=Go%20back%20to%20briefing%20summary&sourcePage=Help#1.%20Executive%20summary>

relatively high extra over costs (those will be baked into costs data) without considering other effects.

2.6.25 As noted in the report Appendices, a higher range of sales values have been tested in the case of the age-friendly and extra care typologies based on research carried out alongside the general needs residential property market information. This was based on comparable information where available and also by reference to the Retirement Housing Group (RHG) paper - 'A Briefing Note on Viability (May 2013 Amended February 2016)' - which states the following: *'Practitioners should use local market values for newbuild retirement housing where they exist. Where they do not exist the following formula is an indicative guide to the price of lower value units which are likely to be affordable by most local homeowners. Methods of price setting for retirement housing vary by location. In medium and low value areas the price of a 1 bed sheltered property = approx. 75% of price of existing 3 bed semi-detached house. A 2 bed sheltered property = approx. 100% of price of existing 3 bed semi-detached in high value areas with a high proportion of flats the price of a 1 bed sheltered property is linked to the price of high value flats, normally with a 10-15% premium. Extra Care housing is 25% more expensive than sheltered: if a sheltered 1 bed flat sells for £100,000 then an extra care 1 bed flat will sell for £125,000'*.

2.6.26 Judgments were made by DSP based on experience of the premium values that are more likely to be supported by these more specialist scheme types (and indeed from experience, with substantially higher than typical values very often needed but achievable in support the viability of such developments).

2.7 Scheme revenue (gross development value) – affordable housing (AH) revenue

2.7.1 In addition to the market housing, the development appraisals also include affordable housing tested at various levels within the modelling.

2.7.2 A key part of the purpose of this assessment has been to ensure a robust and deliverable policy set and provide information to the Council on an appropriate and viable level of affordable housing to seek from development through the

emerging Local Plan. Indeed, Stage 1 of this assessment considered potential policy options in terms of both the quantum of affordable housing secured from market-led development and the tenure mix of that affordable housing.

- 2.7.3 The detail of the Stage 1 testing is not repeated again here but that exercise lead to the formation of the latest proposed affordable housing policies basis included in the emerging Local Plan (with a further look at the AH policy scope in Emsworth Ward revisited at this Stage 2). Again, we have tested affordable housing proportions (0%-50% depending on scheme type) across the wide range of site typologies and Southleigh strategic scale allocation but with the tenure mix now fixed based on the results of the Stage 1 assessment. It is important to note that not every potential percentage iteration has been tested on every typology. From our results analysis, it is possible to see where the likely viability lies and also to consider positions between results sets.
- 2.7.4 The AH revenue that is assumed to be received by a developer is based only on the capitalised value of the net rental stream (for AR or SR) or capitalised net rental stream and capital value of retained equity (shared ownership - SO). The starting assumption pending any review of viability and funding support which becomes available at a later stage for specific scenarios/programmes is that the affordable housing is developer funded rather than part grant funded. We have therefore made no allowance for grant or other public subsidy or equivalent.
- 2.7.5 The value of the AH (level of revenue received by the developer) is variable by its very nature and is commonly described as the 'transfer payment' or 'payment to developer'. These revenue assumptions are based on DSP and the Council's extensive experience in dealing with AH policy development and site-specific viability issues and consultation with local AH providers. The AH revenue assumptions were also underpinned by RP type financial appraisals – looking at the capitalised value of the estimated net rental flows (value of the rental income after deduction for management and maintenance costs, voids allowances etc.).
- 2.7.6 The assumed transfer values for the rented affordable units assumed are shown in Appendix 1.

2.7.7 In practice, AH revenues depend on unit size and provider strategies and can vary significantly by scheme. Registered Providers may draw on additional funding (business plan resources, external funding, cross-subsidy, or recycled grant), but this is scheme-specific and not assumed for viability purposes. As a result, the transfer values used may be conservative, and in some cases a provider (e.g. a Registered Provider) could apply its own reserves to further support viability and affordability.

2.7.8 As has been widely reported in the sector press, there has, in the recent past, been a number of cases nationally where RPs have shown reduced or limited appetite for taking on s106 affordable housing. It is not clear whether this is partly related to the type, specification or similar characteristics of the affordable homes being offered; or is mainly driven by wider financial retrenchment by RPs in response to increased development and borrowing costs alongside historic rent controls. DSP has also, elsewhere, reviewed several consented schemes where developers with agreed s106 affordable housing have approached local planning authorities to seek a reduction or removal of that provision in order to instead secure Homes England funding, noting that such grant has not historically been available for s106 affordable homes. It is not clear how temporary this situation is but more generally it is important to note, the viability appraisal process assumes that funding will be available to acquire affordable homes delivered through this planning-led route, and that the wider housing market is reasonably active and functioning.

2.8 Scheme revenue (Gross Development Value (GDV)) – Commercial/Non-residential

2.8.1 The value (GDV) generated by a commercial or other non-residential scheme varies enormously by specific type of development and location. We use the terms ‘commercial’/‘non-residential’ generally – i.e. reflecting development use types that are not residential.

2.8.2 To assess the viability of the different commercial development types, a range of assumptions is required. These primarily relate to the rental values and yields that determine the value of completed schemes in each commercial appraisal. For the commercial typologies under review, we have applied residual valuation methodology, consistent with our other strategic-level

viability assessments and with the approach used for the residential typologies.

- 2.8.3 Broadly the commercial appraisals process follows that carried out for the residential scenarios, with a range of different information sources informing the values (revenue) related inputs. Data on yields and rental values (as far as available) was collated from a range of sources (also see Appendix 5 for more detail).
- 2.8.4 Figure 7 below sets out the range of annual rental values considered appropriate for testing for each scheme typology at this stage. These rental values were capitalised using corresponding yield assumptions to derive a GDV for each development, based on the specific rent and yield combinations applied.

Figure 7: Assumed rental value – key commercial typologies

Use / Type	Example Scheme Type	Values Range - Annual Rents £ per sq. m		
		Low	Mid	High
Business - Offices - Out of town centre or Business Park	Office complex	£160	£200	£230
Business - Research & Development	R&D / Mixed high spec. space	£150	£250	£350
Business - Industrial or Warehousing	Medium industrial / warehousing unit including offices - industrial estate	£100	£140	£180
Business - Industrial or Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£100	£140	£180

(DSP 2026)

- 2.8.5 The rental values were tested at three levels (low, mid and high) considered appropriate for each scheme type across the study area, enabling sensitivity testing of the viability outcomes to changes in value levels, as with the residential appraisals; these figures are necessarily estimates and assume new build rather than older stock.

- 2.8.6 The amount and quality of rental evidence varies significantly by development type, but this is not considered a Havant-specific issue and does not undermine the high-level viability overview appropriate to this kind of study.
- 2.8.7 The rental levels were capitalised using assumption test yields of 4–8% (varying by scheme type), and varying both rents and yields allowed us to explore how sensitive results are to the wide range of market value and yield combinations that may occur in practice, and to identify what changes would be needed to rents or yields to bring non-viable schemes into viability or, conversely, the extent to which viable schemes could deteriorate while still meeting overall costs, including CIL.
- 2.8.8 Small changes in assumptions can materially affect GDV and therefore viability, which is important in balancing the need for infrastructure funding against the potential impact on development; while it is appropriate to assume new stock and reasonable lease covenants, adopting overly optimistic assumptions in the local context could undermine that balance.
- 2.8.9 This approach allowed us to test the sensitivity of results to changes in the capital value (GDV) of the non-residential typologies and to form a view on their broad viability and capacity to meet policy requirements, noting that, as with other aspects of the study, the assumptions will not necessarily reflect the specifics or motivations of individual schemes.

2.9 Development Costs - Generally

- 2.9.1 Total development costs can vary significantly from one site or scheme to another. For these strategic overview purposes, however, these cost assumptions have to be fixed by typology to enable the comparison of results and outcomes in a way which is not unduly affected by how variable site-specific cases can be. Although the full set of cost assumptions adopted within the appraisals are set out in detail in Appendix 1 to this report, a summary of the key points is also set out below
- 2.9.2 Each cost assumption is informed by data and supporting evidence from such sources as follows in accordance with relevant sections of the PPG:

- Building Cost Information Service (BCIS);
- Locally available information as far as available following the stakeholder consultation process;
- Other desktop-based research;
- Professional experience.

2.9.3 For site typology testing, we have not allowed for abnormal costs - these are highly specific and can distort comparisons at this level of review. Contingency allowances have however been made for all appraisals. This is another factor that should be kept in mind in setting policy and ensuring those are not set to the 'limits' of viability. In some circumstances and over time, overall costs could rise from current / assumed levels. The interaction between values and costs is important and whilst any costs rise may be accompanied by increased values from assumed levels, this cannot be relied upon.

2.10 Development costs - build costs

2.10.1 The base build cost levels outlined below are derived from BCIS, following the approach recommended by the guidance in the PPG on Viability. These figures are considered to represent 'appropriate data' and have been adjusted using a Havant Borough location factor. The assumed costs for each development type (e.g., houses, flats, mixed-use, and non-residential) are detailed in Appendices 1 and 2 and are summarised in Figure 8 below. These costs reflect the selected BCIS median average rates. For larger sites within the modelling, the lower quartile 'mixed developments' build cost rate has been applied to reflect the likely economies of scale achieved in such developments.

Figure 8: Base Build Cost Data

Development Type (median unless stated)		Base BCIS Build Cost £/sq. m.*
Residential	Build Costs Mixed Developments - generally (£/sq. m)	£1,779
	Build Costs Mixed Developments - generally (£/sq. m) – Lower Quartile	£1,588
	Build Costs Estate Housing – generally (£/sq. m)	£1,817
	Build Costs Flats - generally (£/sq. m)	£1,970
	Build Costs (Supported Housing - Generally) (£/sq. m)	£2,194
Others		
Business - Offices - Out of town centre or Business Park	Office complex	£2,275
Business - Research & Development	R&D / Mixed high spec. space	£2,786
Business - Industrial or Warehousing	Medium industrial / warehousing unit including offices - industrial estate	£1,136
Business - Industrial or Warehousing	Larger industrial / warehousing unit including offices - industrial estate	£1,136

**The above costs exclude external works and contingencies (these are added to the above base build costs).*

(DSP 2026 sourced from BCIS)

- 2.10.2 BCIS build costs exclude external works/site costs, contingencies, and professional fees, which are accounted for separately. An allowance for external works has been applied across the assessment, varying by scheme type, ranging from 7.5% to 15% of the base build cost. These allowances are informed by a variety of information sources and cost models and are generally set above minimum levels to accommodate the potentially variable nature of such works.
- 2.10.3 Specifically, site works and infrastructure costs of £500,000 - £600,000/ha have been assumed for the range of site typologies tested with more specific, higher allowances assumed for large scale greenfield development and the strategic scale site allocation at Southleigh.

- 2.10.4 In this broad viability assessment, it is not feasible to account for all potential variations in additional costs. Build costs can vary widely. We have made reasonable assumptions based on relevant guidance and professional experience, focusing on typical new build schemes rather than high-specification, complex, or bespoke developments requiring specialized construction techniques or materials. As with other aspects of viability assessment, there is no single definitive figure; judgments are necessary. It is important to emphasize that, in practice, build cost assumptions are highly site-specific.
- 2.10.5 Just as there may be instances where costs are higher than assumed, there are also likely to be cases where base costs, external costs, or other elements are lower. In line with the need to maintain balance and account for the variability of scheme-specific factors in practice, our aim is to establish assumptions that are both appropriate and realistic. This approach avoids making overly optimistic assumptions in all areas to ensure a fair assessment of viability.
- 2.10.6 An allowance of 5% of build cost has also been added in all cases (residential and commercial/non-residential typologies) to cover contingencies (i.e. unforeseen variations in build costs compared with appraisal or initial stage estimates). This is a relatively standard allowance in our experience, although we do see some assumptions at lower levels. We have seen variations, again, either side of this level in practice, with higher levels usually relevant only for some types of conversions.
- 2.10.7 The interaction between costs and value levels may need reconsideration in future Local Plan reviews as base build costs typically change over time. Further sensitivity tests have also been run as part of the strategic scale site allocation testing, providing insights into how build cost variations affect scenario outcomes. Details are included in the assumptions and results appendices.

2.11 Development costs – Fees, Finance & Profit

- 2.11.1 Alongside those noted above, the following costs have been assumed for the purposes of this study and vary slightly depending on the scale and type of

development. Other key development cost allowances for residential and commercial scenarios are as follows (see Figures 9 and 10 below). Appendix 1 provide further detail.

Figure 9: Residential Development Costs – Fees, Finance & Profit

Residential Development Costs – Fees, Finance & Profit	Cost Allowance
Professional & Other Fees	8 - 10% of build cost
Site Acquisition Fees	1.5% Agent's fees
	0.75% Legal Fees
	Standard rate (HMRC scale) for Stamp Duty Land Tax (SDLT)
Finance	6.5% p.a. interest rate (assumes scheme is debt funded and represents costs including ancillary fees) – Local Plan overview assumption rate, through various market cycles.
Marketing Costs	3% of GDV sales agent & marketing fees.
	£750/unit legal fees.
Developer Profit	Open Market Housing – based on range described in PPG of 15% - 20% of GDV. Base 17.5% assumed for Local Plan overview.
	Affordable Housing – 6% GDV (AH revenue on SR, AR & SO).

(DSP 2026)

Figure 10: Non-Residential/Commercial Development Costs – Fees, Finance & Profit

Development Costs	Cost Allowance
Sustainability Allowance / other enhancements addition contingency (% of cost)	5%
Professional Fees (% of cost)	10%
Contingencies (% of cost)	5%
Site preparation/servicing	£600,000/ha
Biodiversity Net Gain (BNG) (£ per ha)	£47,885 per ha <i>(based on Scenario C, Table 15 of the Government's Impact Assessment - Net Gain Delivery Costs (non-residential))</i>
Finance rate p.a. (including over lead-in and letting / sales period)	6.5%
Purchaser's costs	5.75%
Marketing, letting & sales costs	3.00%
Developer Profit (% of GDV)	15%
Yields	Variable applicability - sensitivity tested across range at 4.5% to 8.0%
Site Acquisition Costs	
Agents Fees (% of site value)	1.50%
Legal Fees (% of site value)	0.75%
Stamp Duty (% of value - HMRC scale)	0 to 5%

(DSP 2026)

2.12 Build and development period

- 2.12.1 The build period assumed for each test scenario has been based on BCIS data utilising the Construction Duration calculator by entering the scheme typology details modelled in this study. This has then been sense-checked using our experience and informed by site-specific examples where available. The build periods and sales rates noted in Appendix 1 exclude lead-in times.

Sales periods are off-set accordingly (i.e. running after the commencement of and beyond the assumed construction period).

- 2.12.2 In the case of the strategic scale site allocation appraisals, the timing assumptions used by DSP directly reflect the draft trajectory information provided to us by HBC per site. These were sense checked and considered to be broadly in line with our recent experience of prudent, appropriate assumptions. Details are provided in Appendix 1.
- 2.12.3 Within the appraisal timings, the site-wide works and infrastructure costs are assumed to start prior to the main construction (housebuilding) in a site preparation phase, as a mix of front loaded and then overlapping cost.
- 2.12.4 As the strategic scale site allocation testing, appraisals have been undertaken at this stage including known infrastructure costs provided by HBC at this stage of Plan development with the appraisals resulting in a surplus (or deficit) against which any further infrastructure costs (when known) need to be compared. The surplus has been spread across the development and therefore financed accordingly.
- 2.12.5 We consider the assumed timings as outlined above to be appropriate given the context of the assessment at a time when much of the site-specific detail is still in the early stages of being considered and will be going through significant further working up.

2.13 Policy areas reviewed alongside affordable housing – Summary

- 2.13.1 A number of the Council's proposed policy directions may have an impact on development viability, both directly and indirectly. As discussed previously, part of this assessment process was to test whether and to what degree those policies and potential future s106 planning obligations could be absorbed by development whilst maintaining development viability (and therefore viability of the Plan overall). The direct impacts are those policies which ultimately result in a specific fixed cost assumption within the appraisal modelling (including the specific site testing) and those key elements not already considered (e.g. AH proportions, dwelling mix etc.) are discussed below. Some do not add or add

significantly to the typical costs of development or costs that relate to national level policy or requirements.

2.13.2 At the time of building up this reporting, policy wording and numbers had not been finalised and as such the sub-headings below relate to emerging policy, where known, and broad policy areas (as above, those that are likely to have a cost impact on development and that are outside normal, established development costs).

- **Nationally Described Space Standard (NDSS)**

The dwelling size assumptions used in the viability testing are set out earlier in this report and in Appendix 1, consistent with the NDSS ranges to meet the requirements of the Council's objectives. (Source: Technical Housing Standards - former DCLG, 2015). External residential space expected to be provided as part of normal costs of development.

- **Accessible Homes** (Building Regulations Part M4 (2) and (3))

Accessibility is incorporated into Part M of the Building Regulations with all buildings now being built to a minimum of M4(1) 'visitable dwellings' with further enhanced requirements to M4(2) 'Accessible and adaptable dwellings' and M4(3) 'Wheelchair user dwellings' optional with implementation via policy but subject to evidence of need as well as viability. At the point of fixing testing assumptions, HBC emerging policy proposed the following:

- 20% of all dwellings should be designed to meet the M4(2) standard for accessible and adaptable dwellings with an equal proportion across market and affordable housing on new build developments of 10 dwellings or more (gross). Note that in any event we have modelled a minimum of 40% of all dwellings designed to meet the M4(2) standard as we understand that the Government is intending to introduce a 40% minimum standard. Subsequently, we understand the Council's approach is likely to move from requiring 20% to 25% M4(2) (consistent with the HNA Addendum 2026).
- at least 2% of the total number of affordable dwellings on the site should be designed to meet the Part M4(3) wheelchair accessible standard on new build developments of 50 dwellings or more (gross).

Costs are based broadly on the Government's 'Raising accessibility standards in new homes'⁵ consultation document (estimates of costs), Housing Standards Review (2014)⁶ supporting evidence plus allowances for build cost inflation and DSP experience. Costs are as set out in Appendix 1.

- **Green infrastructure/open space requirements**

GI can be achieved through not only open space, amenity and allotments etc. but it is also achieved as part of wider scheme elements. Natural England describe GI as including “street trees, green roofs/walls, parks, private gardens, allotments, sustainable drainage systems, through to wildlife areas, woodlands, wetlands and natural flood management functioning at local and landscape scale” and “linear GI includes roadside verges, green bridges, field margins, rights of way, access routes, and canals and rivers”. Overall, we consider there is a cross over between the provision of on-site GI, BNG, open space and blue infrastructure etc. and the range of assumptions made within the assessment (Appendix 1) is appropriate reflecting the corresponding costs of meeting such requirements.

- **Water efficiency**

HBC is proposing compliance with the building regulations optional standards on water use efficiency (water usage not exceeding 110 litres per person, per day (lpppd)). Meeting the 110lpppd requirement comes with a de minimis cost and as such we assume all development complies.

- **Low Carbon Development**

The current Approved Document Part L published on 15th December 2021 came into effect on 15th June 2022. Approved Document Part L supports Part L of Schedule 1 to the Building Regulations 2010 by providing guidance and requirements relating to the conservation of fuel and power in buildings, and onsite generation of electricity. Part L is in two parts - Volume 1 relates

⁵ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes>

⁶ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/raising-accessibility-standards-for-new-homes-html-version#raising-accessibility-standards-of-new-homes>

to new dwellings, and extensions to and work on existing dwellings and Volume 2 relates to other buildings. The changes to Approved Document Part L form part of the government's ongoing move toward net zero carbon, including through the proposed Future Homes Standard and Future Buildings Standard which will see a phased reduction in energy use. The current Part L represents approximately a 31% reduction in energy use in dwellings compared to the previous Part L (2016 amendments), and 27% in non-residential buildings. This is an interim step prior to the full Future Homes and Future Building Standard, but significant uncertainty remains as to whether the current Government will proceed on this basis.

The Future Homes Standard (FHS) is expected to be implemented in late 2026 and intends to achieve 75% lower carbon emissions from new homes compared to current Part L Building Regulations. The timing of implementation remains uncertain pending further clarification. The first phase of Government consultation originally stated that from 2025 new homes will be "zero carbon ready" i.e., no further retrofitting for energy efficiency will be required to achieve "zero carbon" status, as the electricity grid continues to decarbonise.

The emerging Plan sets out strategic objectives to mitigate and adapt to the impacts of climate change as fundamental to the plan. As part of this, the Council's emerging policy requires that all development must follow the principles of Passivhaus design, prioritising a fabric first approach, using layout and landscaping in order to minimise energy demand for heating, lighting and cooling. All development must also reduce embodied carbon through choice, use and sourcing of materials.

As a minimum, emerging policy requires new residential development must achieve a space heating demand of less than 30kWh/m²/yr and the total energy consumption of the buildings should be less than 40kWh/m²/yr with the remaining energy demand met through on-site renewable energy generation. Developments of 150 or more dwellings should also submit a whole life carbon assessment.

Non-residential development over 1000sq. m. are required to achieve the BREEAM 'Excellent' standard with developments of 5,000sq. m. also required to produce a whole life carbon assessment.

Emerging policy will require new residential development (or 200sq. m. of new commercial floorspace) proposals to provide a sustainability statement to demonstrate how the building has been designed to prevent overheating, removing reliance on air conditioning systems.

New development will be expected to minimise the creation of waste supporting circular economy principles, optimise sustainable construction materials, green walls and roofs, rainwater and greywater harvesting systems, reuse and recycle materials that arise during a development, use locally sourced materials where possible and submit a corresponding sustainability statement.

The emerging policy approach is informed by the approach established by the Low Energy Transformation Initiative (LETI) although we note it does not align specifically with these standards. We understand the Council has sought advice from specialist consultancy WSP in developing the climate change response policy detail alongside having regard to the positive approach taken by other neighbouring authorities.

The cost allowance made to meet these policies is set out in Appendix 1 has been based on relevant evidence for a neighbouring local authority, produced to support a full LETI policy approach. As the emerging policy proposals do not directly align with the LETI standards, we consider the assumed cost allowance is more than sufficient to meet these policy requirements, including an additional element of contingency.

- **Electric vehicle charging points**

All new buildings to require provision of electric vehicle charging facilities in line with Building Regulations Part S: Infrastructure for Charging Electric Vehicles (or any future updates).

Cost allowances assumed within this study are set out in Appendix 1 representing the typical costs of complying with policy on new sites building in the policy from the design process onwards. This is based on the Department for Transport Residential Charging Infrastructure Provision Impact Assessment (September 2021).

- **Biodiversity Net Gain (BNG)**

There is a national requirement to deliver minimum net gain of 10% BNG and the Council are not intending to exceed the national minimum requirement. For the purposes of this assessment, we have assumed 10% net gain within all of the modelling undertaken to date. Assumes Scenario C (worst case) as set out in the Impact Assessment⁷ associated with the Government consultation on BNG – 2021 assessment work as a proxy to the uplift to the cost of achieving biodiversity units to £20,000 per unit (from £11,000 per BNG unit assumed within the Impact Assessment). Appendix 1 provides more detail. It should be noted that where a cost allowance (rather than physical provision) is made, this is a proxy for the cost of achieving the relevant requirements; suitable for a high-level assessment such as this where site specific allowances cannot be made for site typologies. As with the discussion above on green and blue infrastructure, there is a cross-over between requirements for provision of on-site GI, BNG, open space and blue infrastructure etc. with multi-function spaces and the range of assumptions made within the assessment. We are therefore of the view that allowances made for BNG to be at the upper end and potentially an over allowance.

- **Self and Custom-build**

The Council is intending to require that all developments of 200 dwellings or more provide 5% of those dwellings as serviced plots for self and custom build homes.

From DSP's experience of this type of development, we consider the provision of plots (serviced and ready for development) for self or custom-build has the potential to be sufficiently profitable so as not to provide a significant drag on the viability of a scheme in general. Broadly, we would expect this activity to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process. We offer the comment that, in practice, many self-builders will look to satisfy their own specific aims through the market – finding either an individual plot, re-build opportunity, conversion or similar.

⁷ DEFRA: Biodiversity net gain and local nature recovery strategies Impact Assessment (October 2019)

With an assumption pitched at £150,000/plot, however, this envisages a potentially more widely affordable route into this model of home ownership. Appendix 1 provides more detail.

- **(Future) Building Safety Levy (BSL)**

The Building Safety Levy is a mandatory charge on most new residential development in England, intended to raise approximately £3.4 billion over ten years to support the remediation of life-critical building safety defects. It will apply to building control applications submitted on or after 1 October 2026 and is charged per square metre of chargeable residential floorspace, with local authority-specific rates that are higher for greenfield development. For Havant this is set at £17.41 per square metre for previously developed land and £34.83 per square metre for non-previously developed land.

The levy applies to “major residential development,” defined as schemes delivering 10 or more dwellings or 30+ purpose-built student accommodation bedspaces, excluding affordable housing, supported housing and developments under 10 units.

Although the levy represents a relatively low additional cost, it may reduce marginal scheme viability, particularly for higher-density apartment schemes where communal areas increase total chargeable floorspace.

- **Habitats Regulations Assessment (HRA)** – Solent Recreation Mitigation – Bird Aware Solent Revised Strategy 2025/26. Allowance of £805 per dwelling plus a 5% monitoring fee and £25.50 administration fee. We note that the mitigation costs are indexed annually reflecting movements in the Retail Prices Index (RPI).

- **Nutrient Neutrality**

Policies relating to water quality effects on international sites indicates that new housing schemes need to prevent any increase in nutrients into the Solent. The Council has a strategic mitigation package for development unable to achieve nutrient neutrality on site. The mitigation package can be provided through either a financial contribution, developer provided package of measures or combination of those. For the purposes of this assessment,

we have assumed that mitigation is achieved through a financial contribution which is currently £2,194 per dwelling (greenfield) £3,322 per dwelling (PDL).

2.14 Infrastructure costs provision – Section 106 (s106) & CIL

2.14.1 The Council adopted a CIL Charging Schedule which came into effect on 1 August 2013. The Charging Schedule sets out rates on residential and non-residential / commercial development. The CIL charging rates had a base date of August 2013. Indexation applies to the rates relevant to all permissions issued since 2013, in accordance with the CIL Regulation 40. At the point of carrying out this study, the indexation (updating of the adopted rates by reference to the 'All-in Tender Price Index') has led to HBC's 2026 charging rates increasing as set out in the table below, alongside the 2015 adopted levels:

Figure 11: HBC CIL charging rates

Development Type	CIL charge £/sqm (2015)	CIL charge £/sqm (2026)
<u>Residential</u>		
Residential* (one dwelling or more) - Emsworth and Hayling Island	£100	£178.57
(Residential* (one dwelling or more) - Rest of Borough	£80	£142.86
Hotel	£0	£0
Industrial / Offices	£0	£0
Retail – Town Centre	£0	£0
Retail – Edge/Out of centre >280sqm	£80	£142.86
Retail – Out of centre <280sqm	£40	£71.43
Community Uses	£0	£0
	£0.00	£0.00

* The residential rate excludes extra care housing

2.14.2 The scope of this assessment does not include a review of the Council's adopted Community Infrastructure Levy (CIL) Charging Schedule (CS). Appropriately, the approach in this assessment has been to reflect the cost to developments of the adopted CIL charging (as tabled in Figure 11 above). As background, we also note that HBC was reviewing its CIL charging schedule

alongside the preparation of the previous Local Plan. However as that plan was withdrawn from examination, that review was not completed.

- 2.14.3 Within this assessment, allowances have been made for the cost to developers of providing affordable housing, CIL (at the current indexed rates) and complying with other planning policies fully (based on assumptions relevant to testing options for the Local Plan and going on to consider emerging policy proposals). This is whilst factoring-in the usual costs of development (build costs, fees, contingencies, finance, costs of sale, profit and land value) so that an overview of the cumulative effect of the estimated costs of development can be made.
- 2.14.4 The consideration of the collective planning obligations (including affordable housing and other infrastructure requirements) is key and cannot be separated from other matters influencing viability. The level of each will play a role in determining the potential for development to bear this collective cost. Each of these cost factors influences the available scope for supporting the others, which links back to ‘striking a balance’ between the various planning objectives whilst reflecting the market drivers of development.
- 2.14.5 As is the case here, with CIL in place, generally there remains a requirement for developments to provide some site-specific mitigation measures (for example potentially relating to matters such as open space, highways work and any other particular requirements needed to make a development acceptable in planning terms). However, care needs to be taken not to add costs assumptions to the degree that those might overlap significantly between this s.106 and what is to be provided for via CIL.
- 2.14.6 To determine an appropriate s106 assumption for the site typology testing (alongside existing CIL cost estimates), DSP reviewed the monitoring data supplied by HBC, including its breakdown of recent s106 contributions.
- 2.14.7 The data showed that s106 costs vary significantly between sites and schemes, with no consistent relationship to scheme size or other clear factors. As a result, a balanced professional judgement was required to identify a reasonable and proportionate assumption for this assessment. Based on the

available evidence, an allowance of £3,000 per dwelling has been adopted for s106 contributions (in addition to current CIL). This is set out in Appendix 1.

2.14.8 In terms of the strategic scale site allocation testing, as we have discussed above, the modelling was undertaken on the basis of including estimates of any known costs at the time of running the modelling with any surplus / deficit set out in the results. This will need to be compared to costs of any further requirements in due course. Sensitivity testing has also been included on the strategic site.

2.15 Indicative land value comparisons and related discussion

2.15.1 In order to consider the likely viability of any development scheme, the results of the appraisal modelling (the RLVs viewed in £/ha terms) need to be measured against an appropriate level of land value. This enables the review of the strength of the results as those change across the range of value levels, affordable housing policy targets (%s) and other planning obligations.

2.15.2 The process of comparison with land values is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, the values associated with the land will, in practice, vary from scheme to scheme.

2.15.3 The levels of land values selected for this context are known as 'benchmark land values' (BLVs). They are not fixed in terms of creating definite cut-offs or steps in viability but, in our experience, they serve well by adding a filter to the results as part of the review. BLVs help to highlight the changing strength of relationship between the values (scheme revenue (GDV)) and development costs as the appraisal inputs (assumptions) change.

2.15.4 As noted above, the PPG on viability is very clear that BLVs should be based on the principle of existing use value plus a premium to incentivise the release of the site for development. Land value in any given situation should reflect the specifics of existing use, planning status (including any necessary works, costs and obligations), site conditions and constraints. It follows that the planning policies and obligations, including any site specific s106 requirements, will also have a bearing on land value where an implementable

planning consent forms a suitable basis for an alternative use value (AUV) based approach that could be in place of the primary approach to considering site value (benchmark land value – BLV), which is now always “EUV plus” (existing use value plus) consistent with the PPG on Viability.

- 2.15.5 As part of our results analysis, we have compared the wide scope of resulting residual land values with a range of potential BLVs used as ‘Viability Tests’, based on the principles of ‘existing use value plus’ (EUV+). This allows us to consider a wide array of potential scenarios, outcomes and the resulting viability trends seen in this case. The coloured shading within the results tables appended to this report provide a graded effect intended only to show the general tone of results through the range clearly viable (most positive – boldest green coloured) to likely non-viability scenarios (least positive, where the RLVs show no surplus or a deficit against the BLVs).
- 2.15.6 The land value comparison levels (BLVs) are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. Schemes will obviously come forward based on very site-specific circumstances, including in some cases on sites with appropriately judged land values beneath the levels assumed for this purpose.
- 2.15.7 As part of the process of developing appropriately robust BLVs, we have reviewed other available evidence, including previous viability studies at a strategic level, site-specific assessments where available. In addition, we have also had regard to the consultation responses and published Government sources on land values for policy appraisal⁸ providing industrial, office, residential and agricultural land value estimates for locations across the country.
- 2.15.8 It should be noted that the *residential* land value estimates of the (former) MHCLG require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used by the MHCLG. This study assumes all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher “serviced” i.e. “ready to develop” level of land value.

⁸ MHCLG: Land value estimates for policy appraisal – most recent version 2019 published August 2020

2.15.9 The MHCLG model provides a much higher level of land value for ‘residential land’ as it assumes the following:

- All land and planning related costs are discharged;
- Nil affordable housing requirement – whereas in practice the requirement for AH can impact land value by up to around 50% on a 0.5ha site with 35% AH.
- Nil CIL;
- No allowance for other planning obligations;
- Full planning consent is in place – the risk associated with obtaining consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point;
- Lower quartile build costs;
- 17% developer’s profit.

2.15.10 The above are additional assumptions that lead to a view of land value well above that used for comparison (benchmarking purposes) in viability assessments. Overall, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of the above factors.

2.15.11 As set out in the results appendices, we have made indicative comparisons with BLVs in a range between £250,000/ha and £2,500,000/ha plus overall, enabling us to view where the RLVs fall in relation to those levels and to the overall range between them. Below, we will consider further the relevance of this range first to GF sites and then to PDL.

2.15.12 Following a review of evidence including other viability studies we have assumed a base EUV+ based land value benchmark for greenfield sites, of £250,000 per gross hectare, aligning with typical minimum option pricing for greenfield development land. This is consistent with the circa 10 times multiple of EUV commonly used in our and other practitioners strategic local plan viability assessments. The approach offers a substantial premium above the existing use value for agricultural land which can be anywhere up to £25,000

per hectare, providing a strong incentive for landowners to bring their land forward for development.

- 2.15.13 This reflects the viability in planning policy principles within the PPG as opposed to a more market orientated approach that may be influenced by comparison with older (pre-PPG) deals and include more emphasis on 'hope value' or similar, rather than being purely EUV plus based. We need to bear in mind that especially for bulk GF land, the stated BLV figures should not be regarded as a minimum or absolute cut-off. Indeed, gross land area figures may include areas of land where for example lower values may be appropriate in support of ancillary provision, undeveloped mitigation land such as SANG or similar.
- 2.15.14 Above the base level of BLV £250,000/ha, and generally reflecting smaller, non-strategic scale development, we would expect an EUV+ of up to £500,000/ha could be applicable for greenfield/amenity land use releases. While it is not appropriate to rule out a lower BLV than the £250,000/ha applied in this assessment, we have not relied on a lower BLV at this stage.
- 2.15.15 For previously developed land, a higher benchmark land value is generally required to demonstrate likely viability in this study. In our assessment, a range of £500,000 to £2.5 million per hectare is appropriate. Within this, sites falling between £500,000 and £1.0 million per hectare typically reflect lower-value existing uses—such as former community facilities, redundant land, or low-grade commercial premises and yard-type uses.
- 2.15.16 RLVs meeting or exceeding BLVs the range £1.0m to £2.5m/ha are representative of sites likely to be in existing medium to higher value employment uses or are indicative of scenarios that come with more certainty and, as the RLV increases, more confidence of a viable outcome across a wider range of testing. In some PDL scenarios, we also need to be mindful that EUV+ based BLVs will be higher; hence the overall range used for viewing the results context - as set out below and seen in use within the results tables. Overall, in our view the results within the £1 - £2m/ha range are a good broad marker for considering viability on PDL here, with reasonable confidence and unless dealing with lower valuer existing uses.

2.15.17 Figure 12 below shows, with some explanatory notes, the range of selected BLVs which have been used as ‘viability tests’ (filters) for the viewing and provision of the results interpretation / judgments – as per the results in the Appendices 2 tables where these BLV levels are also shown as part of the ‘key’ or notes.

Figure 12: Range of BLVs (Indicative ‘viability tests’)

PDL Sites	
Indicative non-viability	RLV beneath Viability Test 1 (RLV <£500,000/ha)
Potential viability on lower PDL	Viability Test 2 (RLV £500,000 to £750,000/ha)
Viable indications - Medium value PDL	Viability Test 2 (RLV £750,000 to £1,000,000/ha)
Viable indications - Medium value PDL	Viability Test 3 (RLV £1,000,000 to £1,500,000/ha)
	Viability Test 4 (RLV £1,500,000 to £2,000,000/ha)
Viability indications - Medium to higher value PDL	Viability Test 5 (RLV £2,000,000 to £2,500,000/ha)
Viability indications - higher value PDL	Viability Test 6 (RLV >£2,500,000/ha)

BLV Notes:

EUV+ £/ha	Notes
£500,000	Garden / amenity land, low-grade PDL (e.g. former community uses, yards, workshops, former industrial etc.)
£750,000	
£1,000,000	
£1,500,000	PDL - industrial/commercial
£2,000,000	
£2,500,000	Upper PDL/residential land values

(DSP 2026)

Greenfield Sites	
Indicative non-viability	RLV beneath Viability Test 1 (RLV <£250,000/ha)
Potential/marginal viability (GF Only)	Viability Test 2 (RLV £250,000 to £500,000/ha)
Indicative positive viability	Viability Test 3 (RLV >£500,000)

EUV+ £/ha	Notes
£250,000	Greenfield Enhancement - reflecting larger scale development
£500,000	Greenfield Enhancement (Upper) - reflecting smaller scale development

(DSP 2026)

2.15.18 It is important to note that all RLV results indicate the potential receipt level available to a landowner after allowing, within the appraisal modelling, for all development costs (as discussed earlier). This is to ensure no potential overlapping / double-counting of development costs that might flow from assuming land values at levels associated with serviced/ready for development land, with planning permission etc. The RLVs and the indicative comparison levels (BLVs) represent a “raw material” view of land value, with all development costs falling to the prospective developer (usually the site purchaser).

2.15.19 Matters such as realistic site selection for the particular proposals, allied to realistic landowner’s expectations on site value will continue to be vitally important. Site value needs to be proportionate to the realistic development scope and site constraints, ensuring that the available headroom for supporting necessary planning obligations (securing AH and other provision) is not overly squeezed beneath the levels that should be achieved.

2.15.20 The PPG⁹ states the following:

‘To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the

⁹ <https://www.gov.uk/guidance/viability#standardised-inputs-to-viability-assessment> Paragraph: 014 Reference ID: 10-014-20190509
Revision date: 09 05 2019

land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)...

Benchmark land value should:

- be based upon existing use value*
- allow for a premium to landowners (including equity resulting from those building their own homes)*
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where

relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'

2.15.21 An alternative route to considering BLV on larger sites such as these (bulk land releases) could be to adopt a higher rate for the expected development area and a significantly lower level of value to the non-development areas that provide much of the green infrastructure including any mitigation land. That approach could be expected to produce a similar overall assumption on BLV.

3.0 Findings Review

3.1 Stage 2 context and previous VA work

- 3.1.1 Following a round of interim testing as was also explained in DSP's October 2024 report, the Stage 1 VA (Viability Assessment) work provided HBC with very early-stage guides on viability parameters and headlines to inform the Council's development of the new Local Plan.
- 3.1.2 At Stage 1, the assessment focus was on the levels and types of Affordable Housing (AH) that were expected to be supportable and appropriate, in viability in planning terms, alongside other emerging policy positions considered together (cumulatively).
- 3.1.3 Overall, following the continued building and updating of evidence by the Council, moving ahead to the current stage 2, there has not been a great deal of change within the Council's emerging LP policy set that is likely to impact directly on development viability.
- 3.1.4 However, some details and context aspects have moved on as would be expected and is normally the case. Whilst at Stage 1 the extent of further/new VA work that would be appropriate at Stage 2 was inherently uncertain, further comprehensive work has now been undertaken for completeness. This has used the latest available information all round to inform the current Stage 2 approach and assumptions – all as set out in report sections 1 and 2 above, together with the current Appendices to the report (see Appendix 1 for the assumptions overview and Appendix 5 for the updated market and values research summary).
- 3.1.5 DSP's intention is that whilst this Stage 2 report can be used as a standalone set of documents that will continue to inform and support the Council's ongoing LP preparation, this latest work does not replace but rather builds on Stage 1. This continues the Council's thorough approach of its evolving work feeding into and being informed by the building iterations of the VA work. It has been a process which ran from and included assessment work relating to the Local Plan which was withdrawn from examination in March 2022 and has continued into the testing of this Local Plan. Conducted in this way, the

ongoing viability assessment work has been a continuous and consistent influence within HBC's LP policy development considerations, from a very early stage – inception to firming up.

Community Infrastructure Levy (CIL) and infrastructure costs context

- 3.1.6 The Council has successfully operated a CIL in the Borough since 2013. The background to the operation of its CIL Charging Schedule is set out on its website at: <https://www.havant.gov.uk/planning-services/planning-policy/community-infrastructure-levy-cil/community-infrastructure-levy-6> . This is also referred to in the Council's 'Developer Contributions Guide' which is regularly updated (November 2025 being the latest version).
- 3.1.7 The charging rates (as indexed to latest levels the point of assumptions fixing) have been applied within the appraisals. It is also worth noting that although the CIL charging rates are indexed annually via the nationally prescribed method, this is a normal effect which continues beyond plan adoption and through the LP period as one of the dynamics of all this. The fact that CIL rates will change annually to a relatively small extent through this does not materially affect the viability evidence.
- 3.1.8 As will be noted again below, this includes the further review of the Southleigh Strategic Scale Allocation site as included as 'Allocation 1' in the Draft 'Building a Better Future Plan' that DSP has referred to and discussed with HBC in preparing this intended final round of viability testing. For the Council's information, Southleigh has been appraised at this stage both to include the adopted CIL charging cost and without that (the latter being a scenario that we assume would place greater reliance on s106).
- 3.1.9 In the general typologies appraisals (representing schemes across the non-strategic sites range), we have continued to use a s106 contingency assumption alongside including the indexed CIL cost, as noted above and per Appendix 1. In the case of the larger typologies of 350 plus dwellings and therefore more representative of a scale of development likely having some strategic level characteristics, we have made that same assumption alongside a £30,000/dwelling estimated site works and infrastructure cost allowance.

- 3.1.10 We have allowed the latter in the current stage Southleigh appraisals too, together with an assumed cost for a new primary school (again as per the details set out). The allowances made at this still relatively early stage for the purposes of assumption set at the time for the Southleigh allocation are necessarily acknowledged as preliminary but reflect DSP's previous experience of initial viability in planning appraisals of both this proposal - as included in the earlier VA – and reflecting our wider work in general. Although overall the included costs allowances are significant, it may well be found that the more developed scope of site works and infrastructure (i.e. including s106) costs more than the allowances that have been made at this stage based on the incomplete/emerging HBC information that has been available at the point of running further appraisals.
- 3.1.11 Similarly, there are other aspects of the development context here that will take time to become apparent and then become more established as the proposals progress. For example, we envisage that the sales values achievable at Southleigh can reasonably be expected to exceed the typical range seen across much of Havant town and the other larger urban areas in the west of the borough, especially with the planned placemaking envisaged here.
- 3.1.12 However, currently it also appears unlikely perhaps that the value of completed properties at Southleigh will reach the higher end values that we would expect to be seen for any new builds in Emsworth itself (and particularly the town centre compared with the roads and housing estates to the north of the A259) and the easternmost parts of the borough adjoining Chichester District (including the more expensive parts of Hayling Island). This picture will inevitably continue to hold some uncertainty and will continue to develop. In the meantime, with assumptions and judgments needing to be made, the appraisal results set out at this Stage 2 are once again being viewed with these area characteristics and variables in mind.

Earlier VA themes – Stage 1 re-cap

- 3.1.13 The above mentioned interim testing conducted on the way to Stage 1 considered the influence of tenure mix on affordable housing viability. Although accessibility by those least able to afford housing in the market is

key, it has been established that a blend of affordable homes is needed, including a significant proportion of affordable home ownership (appraised in the form of shared ownership) is necessary for balance.

- 3.1.14 Following HBC's consideration of this balance between the renewed drive for social rented provision and viability, and AH tenure mix comprising 20% affordable rent, 42.5% social rent and 37.5% affordable home ownership was run through the Stage 1 VA. This set of assumptions has now also been carried through this latest and final Stage 2, although we understand that the approach in the Publication Plan will now include 41% social rent and 32% affordable rent – adjustments made since the modelling was carried out.
- 3.1.15 In exploring the viability prospects for affordable housing in various circumstances in the borough, the other key theme to emerge early was the difference in viability headroom and the prospects for supporting development requirements and planning obligations (including in support of affordable housing viewed together with infrastructure contributions) when considering greenfield (GF) sites compared with previously developed land (PDL). A key theme to come out of Stage 1 was the difference between the findings from the typology appraisals representing these at the overall plan level. Overall, more positive results are supported by the GF scenarios than when appraising viability prospects on PDL.
- 3.1.16 The principles reflecting this difference have continued to be included through HBC's development of policy (as per the 2025 Draft Building a Better Future Plan). This Stage 2 VA work again shows a differential approach to the AH policy expectations to be a key theme for HBC to include in the new plan. Alongside other requirements applied consistently, the redevelopment of PDL can support lower proportions of AH than GF housing developments, typically. We noted that this effect is seen across DSP's viability in planning work. Although the VA findings and the recommendations flowing from those are particular to Havant Borough, these relativities are frequently seen.
- 3.1.17 Similarly, the Stage 1 finding that viability is seen to be particularly challenging for all-flatted development scenarios (again typically), noting these will usually occur on PDL, has also been revisited. Again, this is a continued theme.

- 3.1.18 Over the time of settling assumptions for and running the Stage 2 appraisals, the site supply picture has still been under consideration. Again, this is a key part of the context that the VA findings and recommendations will relate to and support. Clearly both PDL and GF sites will remain relevant to the site supply that is being planned for. At this stage there is uncertainty over the extent to which wholly flattened development will be a key source of future housing supply in the plan terms overall, however.
- 3.1.19 At Stage 1, in brief summary, we found that on GF the 30% AH tests presented consistently positive viability scope apart from when reviewing sensitivity to the lowest tested sales value levels (VLs). However, these positive outcomes were found to fall away, becoming marginal to unviable in some cases with 40% affordable housing applied. We noted that although higher values may be achieved in some circumstances and then potentially supporting more than 30% AH, we did not consider this would be likely to be met on a consistent enough basis to support policy levels above 30%. Overall, we found that that 30% AH would be a generally viable and suitable policy approach to apply to developments on GF. The costs of development have not reduced and need to be taken into account cumulatively.
- 3.1.20 Therefore, pending further appraisal work at Stage 2, at Stage 1 provisionally we considered that the 30% AH indication would likely be relevant to greenfield sites generally and that on larger/strategic GF releases that the achievable level of AH could be more dependent on the level of site and scheme specific works and costs involved - including crucially on infrastructure (direct infrastructure provision and other s106 requirements).
- 3.1.21 Re-capping on the PDL context, sites typically come with higher existing use values (EUVs) represented by significantly higher benchmark land values (BLVs) in combination with potentially higher development costs, contributing frequently to greater pressure on viability – and tending to result in reduced scope to accommodate planning obligations in some way.
- 3.1.22 The appropriate BLV level will vary based on site specific circumstances, however for the purposes of a strategic-level viability in planning assessment, as per Stage 1 representing a range of PDL we have continued the use of a range of BLVs from £0.5m to £2.5m/ha in Stage 2. Continuing the range from

the GF BLV levels that reach a maximum of £500,000/ha, these reflect various possible scenarios from garden/amenity land, low-grade PDL (e.g. former community uses, workshops, car parks etc.), through to industrial, higher value commercial and existing residential land. As per Stage 1 on PDL, overall, we consider the key range of BLVs to be within the £1m/ha to £2m/ha range. In summary, this BLVs context remains as explained at Stage 1 and has been set out above (see section 2.15). The BLVs and their use is also reflected in the formatting of the Stage 2 results tables and the 'Key' provided there (Appendices 2, 3 and 4).

- 3.1.23 Moving on then to informing the draft policy on affordable housing as would apply to developments on PDL, at Stage 1 the above noted context led to HBC considering and moving forward with a differential approach to include a lower requirement for AH on PDL – at 20%.
- 3.1.24 Building on this acknowledgement of the typical viability differentials between scheme and site circumstances, the Council also has progressed draft policy on the basis of considering DSP's suggested additional differential to reflect the further pressure on viability that can usually expect to be found on all-flatted (flats only) developments on PDL. This policy layer was recommended for consideration at 10% AH. Again, this has been carried through the approach to emerging policy (as per the draft plan) to date. This lower AH policy expectation was also envisaged as applying to older persons housing in the form of sheltered/retirement living/extra care apartments.
- 3.1.25 The 30%, 20% and 10% potential AH policy layers were arrived at whilst factoring in all the development cost and policy assumptions made at Stage 1, as noted in that report and its appendices. In summary, to date there have been few changes to the draft policy proposals that directly or significantly affect the cost assumptions.
- 3.1.26 Similarly, the housing market has fluctuated mildly since then. Relatively small house price movements have been seen, either way. Across the period of review for the VA, this has supported house prices at a broadly stable level. Overall, at Stage 1 we assumed values in the range approximately £4,000 to £4,750/sq. m covering most new build housing here, and particularly on larger

developments providing much of the supply. This overview has not altered materially in moving on to Stage 2.

- 3.1.27 Whilst the updated research has led us to increase the number of VLs in an approach that takes a finer grained view with reduced 'gaps' between VL tests, the overall range and general relationships have remained consistent. For this revisit we have used an overall range of assumed housing sale 'Value Levels' (VLs) from VL1 (lowest) to VL13 (highest) for general market housing.
- 3.1.28 These VLs reflect new build housing sales prices spanning approximately £4,000/m² to £5,200/m², reflecting the range expected to be seen across different locations within the Local Plan area. Within this, we are now looking across the range approximately £4,200 to £5,000/sq. m in the main (current VLs 3 to 11) as most relevant to new build housing here at this time, although we have also sensitivity tested for the potential influence of lower values (potential relevance in Leigh Park for example) and higher still values that we might see (Emsworth / parts of Hayling Island / eastern end of the Borough). This is as per the commentary in section 2.6 above, and Appendices 1 and 5 provide more information.
- 3.1.29 As we have noted, flatted schemes may also achieve £/sq. m values above typical base levels and there should also be an influence from wider regeneration objectives particularly in the context of town centre locations (e.g. Havant, Waterlooville and Leigh Park).
- 3.1.30 Overall, this research indicates an overall average of around £4,500 - £4,600 per sqm (represented by VLs 6 to 7) across the borough with variations by location – again, typically lower values in Leigh Park and parts of Waterlooville, while higher values are supported in Bedhampton and particularly at Emsworth and the borough's eastern end, for example. Likely to be strongly influenced also by the tone of housing values in the Emsworth area, as well as the place-making prospects, the continued Southleigh Strategic Scale Allocation proposal appears most likely to support values above this overall level; in our view potentially represented by values up to VLs 8 to 10 (£4,700 to £4,900/sq. m). Housing for older persons in the form of sheltered/retirement living and providing extra care will typically support premium value levels and accordingly we have tested those typologies (using

particular assumptions) across an increased range of VLs; extended across a further range to VL22 as an upper test level – related assumptions as per Table 1c in Appendix 1.

- 3.1.31 Ideally, policy should be as simple and straightforward as possible to plan for and work with, for all stakeholders. In using this study alongside its other building evidence, with HBC we need to consider whether there are any particular variations that are considered relevant to influencing varying viability between wards/settlements or other geographical areas in a broader overview sense, including relating to the types and locations of development that are considered most relevant over the emerging plan period. This comes back to reviewing the findings in the context of the settled site supply picture, as noted above. Policy variations by locality as well as by site/scheme type (as proposed at Stage 1 and in the 2025 draft plan) may not be necessary.

Summary recap of Stage 1 Affordable Housing (AH) Findings

- 3.1.32 Assessed alongside the development and other policy costs allowances tested cumulatively, the Stage 1 AH outcomes were, in summary:
- 30% AH (greenfield sites – general non-strategic development scale)
 - 20% AH (PDL)
 - 10% AH (PDL) – flatted only development (including for older persons)
- 3.1.33 In the following sections we will go on to outline the current Stage 2 further findings. This is for the purpose of considering whether this revisiting of the VA continues to support these positions, having re-tested the viability across a full range of typologies and using latest available information at the point of testing. Alternatively, whether adjustments to these or other policies and allowances in combination should now be reconsidered in some way by HBC in progressing towards its consultation on the Regulation 19 plan version.
- 3.1.34 This exercise also contributes to updating the Council's evidence base on the Southleigh Strategic Scale Allocation (Allocation 1 of the draft plan) and its viability prospects as viewed at this time.

- 3.1.35 With this purpose in mind, we will not through all the results in detail. The aim is to pick out themes again and test whether these have altered in moving on to complete this viability assessment.
- 3.1.36 In setting out all this, we need to reiterate that a range of information sources are referred to and necessarily (but appropriately) many assumptions are made in the course of this work. This is normal, as is our longstanding experience of information being incomplete and evolving at this stage and strategic level of review. This in no way reduces the appropriateness and effectiveness of the assessment in further informing and going on to support HBC's new local plan, again as DSP's and our clients' experience of good practice that meets requirements has shown.
- 3.1.37 The nature of the mix of national standards/regulations and locally set requirements means that HBC does not have control over how many of these are set, and although our viability assessment clients have a variety of circumstances and views or responses on the extent or detail of some local plan policy elements (e.g. accessibility, climate change response, BNG %, water usage efficiency, nutrient neutrality, habitats) the process invariably leads to affordable housing needing to be considered as a key variable over which there is relatively extensive control at the local planning authority level. This is why there remains such a focus on seeking to optimise affordable housing provision alongside these ingredients and hence the nature of the reporting in this way.
- 3.1.38 As explained through Chapter 2 above and summarised in the Appendix 1 tables, however, we emphasise that the findings set out with this focus are all on the basis of making appropriate allowances at this level for all other policy matters. Reflective appraisal inputs and reviewing judgments have been made comprehensively in coming to the AH findings headlines at each stage. Although the policies development has been discussed on the two-way basis, if DSP now needs to make any other policy observation or potential adjustment suggestion to HBC, from a viability point of view, this will also be included below and raised with HBC.

3.2 Stage 2 findings

Greenfield (GF) housing developments – further typologies review (Appendix 2 results)

- 3.2.1 Appendix 2 Table 2a representing 5 houses on a GF site (and Table 2b relating to the 5 houses PDL typology) reflect that providing suitable development conditions exist (a prerequisite for all development progressing) there should be good viability prospects for small housing schemes providing fewer than 10 dwellings. Those will neither attract AH requirements nor the costs of supporting BNG and the BSL.
- 3.2.2 Representing general / mis-sized major developments at 20 houses upwards Tables 2e and 2f point to 30% AH being supportable alongside the other policies and CIL with values at potentially VL5 (£4,400/sq. m) and with increased confidence, VL6 (£4,500/sq. m) and upwards. These are considered to be just beneath or around typical values, viewed borough-wide, as above. The context for small to medium sized developments (of up to say 50 to 100 dwellings) would normally include the higher GF BLV, representing a land value of up to around £500,000/ha and smaller releases (paddocks or amenity land or similar) rather than relying only on the lower GF BLV of £250,000 that represents larger scale releases of agricultural land.
- 3.2.3 In these scenarios, and again with increasing confidence over the range, VLs 7 to 8 (£4,600 to 4,700/sq. m) upwards appear to have the potential to support up to the 40% AH test level. However, the research shows that generally these value levels would only be supportable consistently in Emsworth / the east (and potentially some Bedhampton locations) rather than more widely. This would be highly dependent also on the levels of infrastructure/development mitigation contributions needed at a site-specific level, as well as any significant abnormal costs that need to be accommodated. Depending on the settled site supply picture, some area-based AH policy differentiation (upwards for the clearly highest value areas only – i.e. Emsworth) for non-strategic scale GF sites could potentially be considered by HBC. However, in our view, if the policy basis were to move away from a fairly simple and in our experience appropriate uniform approach as a clear expectation (as per draft Policy 32), then potentially a downward

differentiation for the areas with typically lowest values might also be considered if necessary.

- 3.2.4 We will continue to further consider these angles below, as we also overview the outcomes seen from for the 550 dwellings GF typology appraisals, across the PDL typologies, and for Southleigh as well.
- 3.2.5 As the largest typology having more strategic site characteristics, the appraisals for the 500 dwellings scenario (Tables 2ma and 2mb) have been run in a way that reflects this and the potential unknowns / effects of variables. The results are presented using the same format as for Southleigh (again, see below). The £250,000/ha BLV based land cost is included in the appraisal rather than used outside it as a comparison with the RLV result. The appraisals include the indexed CIL, run at both charging rates for completeness of information, although it is more likely that such a scheme would occur in the 'rest of borough' zone attracting this cost the lower of the two rates (Table 2mb results). As can be seen, 20%, 30% and 40% AH have been tested, across the full range of VLs. For each AH% test level, the top part of the table shows the indicated surplus sums (positive results – green shaded table areas) or deficits (negative results – pink/red shaded) in £s total. The corresponding lower table sections show this as a £/dwelling indication. The '0% BASE TEST' lines of results are based on the current build cost assumptions (as per Appendix 1 Table 1b) and the rows beneath and above show the variance resulting from sensitivity testing the effect of increased or reduced build costs respectively, in 2.5% steps. Reviewed as wider information in conjunction with the influence of varying sales values (reducing or increasing gross development value – GDV) this gives a feel for the sensitivity of the base results to changing cost and/or value assumptions.
- 3.2.6 The surplus (or deficit) indications can be used to point to the non-viable, marginal or viable combinations of variables. They may also be used by HBC to consider how these outcomes broadly compare with evolving information such as further cost estimates for directly associated infrastructure/development mitigation and any other matters that might weigh additionally on the viability (compared with the assumptions made - i.e. indicative scope to support costs beyond the stated levels included in the appraisals).

- 3.2.7 The nature of the process at this stage and dynamics of all this also lead further to why it will be important for HBC to continue considering the results in a way that aims to allow for some values and costs movement either way – i.e. not set policy requirements at the limits of viability, and especially for the circumstances that are most relevant to the plan delivery overall.
- 3.2.8 On the above basis, Table 2mb shows that with VL5 (£4,400/sq. m sales value) assumed 30% AH is supportable and produces an indicative surplus of approximately £8,600/dwelling after making the stated assumptions. With market sales assumed at VL4 (£4,300/sq. m) the result supports relatively little tolerance and it can be seen that with values beneath VL4, a deficit position is indicated at 30% AH. The 20% AH assumption provides the capacity to work viably at all but the lowest values, but this would be unlikely to achieve a suitable balance as it appears that typical sites should be able to bear the 30% AH content along with other policy costs and requirements.
- 3.2.9 Looking to any potential HBC consideration of a requirement for more than 30% AH, the 40% tests in Table 2mb show that based on current assumptions VL7 values (£4,600/sq. m) would be needed to clearly support this i.e. provide more than a small tolerance. However, as noted above Emsworth values can be expected to meet or exceed these levels. We understand that development of meaningful scale for AH delivery is expected to come forward on GF land at Emsworth. This means that although from our further review the proposed 30% AH position is still likely to be the most suitable one to maintain in policy as a headline covering much of the borough, there is considered to be capacity for a higher AH proportion to be viably delivered on greenfield sites in the Emsworth Ward area.
- 3.2.10 Looking at the latest results that included 30%, 35% and 40% AH along with the higher CIL rate that is applicable - in Appendix 2 Tables 2k (150 mixed dwellings on GF) and 2n.1 (550 mixed on GF) – we consider that 35% AH would be suitable as a policy differential for GF sites in Emsworth Ward only. Going to 40% would mean more reliance on consistently higher sales values (represented by increasing value level beyond say VL7) whilst leaving a less substantial tolerance level for any addition development costs beyond those included in the appraisals at this stage. At VL7, the 150 dwellings typology

result clearly exceeds the higher GF BLV of £500,000/ha with 35% AH. At the same VL, i.e. within the potential range for the Emsworth Ward rather than an upper-end only sales value assumption, in the 550 dwellings typology we can see a surplus outcome of over £10,000 per dwelling indicated with 35% AH appraised.

Housing developments on previously developed land (PDL) – further typologies review (Appendix 2 results)

- 3.2.11 We do not gather additional findings from the 5 houses on PDL typology outcomes (Table 2b), with AH and other policies (BNG and BSL) not impacting again, except that on general principles it can be seen how the higher BLVs add pressure to the viability compared with the equivalent GF results. This is only an initial further indication of the influence of a PDL site (mainly reflecting the much higher BLVs) but echoes the key theme noted at Stage 1. We will now go on to overview the extent to which the Stage 2 typology tests continue to reflect this; or potentially result in a case for reconsidering the previously suggested AH policy differential or other proposals that have been consulted upon within the 2025 Regulation 18 stage draft 'Building a Better Future Plan'.
- 3.2.12 The 10 houses PDL typology (Table 2c) outcomes suggest that the differential CIL is playing an appropriate role towards broadly balancing the viability differential between the consistently higher value locations (Area A – with higher CIL rate) and the 'Rest of borough' (Area B – lower CIL rate) typical values zone. With 20% AH, reflecting draft emerging Policy 32 part a) ii, the RLV exceeds the £1m/ha BLV with VL8 (£4,400/sq. m market sales) assumed. To support 30% AH meeting the same BLV, a VL10 assumption (£4,900/sq. m) is needed, which is reaching the upper-end of the relevant values level range for the borough at this time. A £2m/ha BLV is very close to being reached (marginally so) with the highest test VL13 assumed to support 30% AH, however this is considered likely to have limited relevance in the overall plan delivery context in the foreseeable future. Looking the other way, a 10% AH requirement still appears likely to need values at VLs 6 to 7 to reach the £1m/ha BLV, and yet this would not contribute enough from the more viable schemes to support the obligations of the Council to enable affordable homes. We will review the further PDL typologies results next - first looking at mixed housing schemes (houses and flats) and then all-flatted

schemes (development entirely for flats as per draft Policy 32 component a) iii).

- 3.2.13 The 50 mixed dwellings typology (Table 2g) RLV results exceed the £1m/ha BLV and support 20% AH when applying VL5 (£4,400/sq. m sales) and exceed the £2m/ha BLV with VL9 (£4,900/sq. m) assumed. 30% AH and similar BLV levels are supported only with values nearing VLs 7 and 11 assumed respectively – significantly reducing the relevance of more than 20% AH being achieved. Again, while 10% AH is supported and the BLVs are met with lower VLs assumed, as a general policy level this is considered likely to underperform to the viability potential to support HBC's affordable housing enabling duties.
- 3.2.14 A very similar results pattern and relativities is seen when looking at the other medium sized typologies - 75 mixed dwellings (Table 2i) and 150 (Table 2k).
- 3.2.15 Moving on to the largest PDL typology tested, 350 mixed dwellings, the appraisal and results display uses the same approach as noted above at 3.2.5 to 3.2.7 above. Such a scheme type, at large scale, is not certain to come forward in the early years of the new plan, we understand, and then would only come forward in the main town centres or localities identified as opportunity areas for regeneration (Waterlooville, Havant town centre or potentially Leigh Park. Therefore, in locations currently expected to support lower to mid rather than mid to higher-range values.
- 3.2.16 This backdrop leads to the 20% AH test results in Table 2Ib (lower CIL charging zone assumed to be the main test given the likely location context) representing the maximum affordable content that is likely to be achieved, realistically. The VL5 to 6 results produce a reasonable looking surplus level of approximately £6,200 to £12,600 per dwelling equivalent after making the stated costs allowances, as tolerance. Whereas VLs 7 to 8 are needed to support equivalent outcomes with 30% AH tested. The 40% AH tests produce a wider still range of deficit outcomes - as the increased scope of the pink/red results shading shows, compared with the breadth of the green sections higher up the table.

3.2.17 Summarising on the Stage 2 PDL typology tests, these continue to inform and support the emerging Policy 32 draft position of 20% AH (not more we suggest) to be sought on PDL developments, except those for entirely flats/apartments. More commentary is provided on the latter next.

Development for entirely flats/apartments on PDL (Appendix 2 results)

3.2.18 As reported above and set out in Appendix 1, the Stage 2 typology results cover scenarios of 15 to 100 flats (entirely flats/apartments). These include general market schemes (Tables 2d, 2h and 2j) and more specialist developments providing apartments for older persons in the form of retirement living/sheltered blocks and schemes providing extra care (Tables 2n and 2o). In all cases these scenarios assume self-contained dwellings. The results tables formatting and interpretation are the same as for the small to medium typologies discussed above.

3.2.19 The results are generally poor across the range reviewed, representing varying degrees of expected challenging viability, typically. Whilst the sheltered housing (usually developed as 'Retirement Living' or similar) typology outcomes show the positive influence of achieving premium values and the effect of both the currently adopted CIL Charging Schedule and the Draft review version 2021 is to nil-rate extra care housing, this does not significantly alter this picture.

3.2.20 It remains clear in viability in planning terms that development on PDL for entirely flats/apartments in the borough warrants a policy differential and our view is that going further than the general PDL differential should continue to be considered by HBC. Accordingly, the 10% AH draft policy 32 layer (part a iii) and not more should be taken through as the plan progresses further in our view. It is considered a suitable approach to group together all schemes of entirely flats/apartments for equitable policy treatment purposes in this way.

3.2.21 This 10% AH may be expected to be found challenging to secure across all schemes given the range of types and sites that might come forward, including for older persons and other groups of residents. However, again this approach seeks to help bolster contributions towards addressing the severe affordable housing needs in a way that is considered appropriate, rather than not

addressing the needs side sufficiently or likely overdoing the expectations in this borough on the other hand. Wide experience shows that a range of older persons schemes do support the cost of a CIL where it is charged, and also often support some level of contribution towards affordable housing, albeit typically via the negotiation of a viable level of financial payment in-lieu alongside the CIL/S106 liability.

Southleigh Strategic Scale Allocation review (Appendix 3 results)

- 3.2.22 The Appendix 3 tables set out the current stage results and wider sensitivity tests run at current Stage 2 using assumptions set out at Appendix 1 Tables 1a, 1b and 1d.
- 3.2.23 The formatting and intended reading/use mode of these results is the same as set out for the 550 and 350 mixed dwellings typologies – as explained above at 3.2.5 to 3.2.7 and 3.2.15.
- 3.2.24 Although this scenario has again been appraised across the full range of VLs, our research suggests that viewed as of now the housing values at Southleigh could be expected to fall in the range VL6 to 11 (approximately £4,500 to £5,000/sq. m) and our estimate as a guide base level within this is around VL7 to 10 (approximately £4,600 to £4,900/sq. m). Values can also be expected to vary within the scheme and as the placemaking evolves. In our view, at this time and for the current purpose in our view it would be prudent to consider values on this large scale of development at approximately £4,600/sq. m (VL7) overall – as a baseline within the wider range of possibilities.
- 3.2.25 We will consider the results in this context, having allowed for an appropriate BLV of £250,000/ha (applied to the gross site area) – land cost at that applied within the appraisals – and using other information as available from HBC (although acknowledging this to be incomplete at this stage). Costs associated with a proposed active travel bridge crossing of the railway line could amount to more or significantly more than has been allowed for via the current stage infrastructure cost assumptions. Therefore, scope for significant costs growth tolerance could be considered in this case - perhaps of £20m plus to fully reflect the highways and transport aspects alone. The reported surpluses are based on allowing for the costs set out in Appendix 1.

- 3.2.26 Having said this, it is not unusual for information on infrastructure (especially for strategic sites) and a range of other matters to be evolving at the plan making and related VA (this assessment) stage. There are usually a variety of unknowns and uncertainties involved in these assessments, and the approach relies on many assumptions, but again this does not devalue the exercise of considering the reasonable prospects of viability. This is prepared for the purposes of helping consider the deliverability of the allocation proposal and the scope for supporting affordable housing together with other policy objectives and development requirements. All as part of considering and informing the viability prospects of the emerging plan and its policies and sites.
- 3.2.27 The adopted HBC CIL Charging Schedule will have the effect of this site paying the levy. Therefore, while for HBC's information this has also been tested with nil CIL cost included, the results set in Table 3b reflect the cost of the adopted CIL, as indexed to the assumptions fixing point.
- 3.2.28 The results at this stage show that as much as 40% AH is likely to be too testing for viability, and this is consistent with our wider experience given the circumstances here.
- 3.2.29 Overall, in our view the previously proposed 30% AH remains an appropriate approach that should balance viability with the needs pressure, and the site should be able to come forward viability on this basis in combination with the other policy requirements of the emerging plan, taken together with national development standards. These include the provision of a primary school and a local centre on-site. This would also remain consistent with general Policy 32 of the emerging plan as is intended to apply to greenfield developments generally, and in our view taking this expectation beyond 30% AH may be unrealistic in the circumstances (whilst perhaps not being totally ruled out pending settling of the infrastructure costs).

Employment development typologies (Appendix 4 results)

- 3.2.30 As noted at 2.5.1 above, this assessment also includes a selection of potential commercial/non-residential development typologies. These are focused on employment development in example forms – office complex,

industrial/warehousing and higher spec space as might be used for research and development (R&D) purposes.

- 3.2.31 This is not a main focus of the VA. The purpose is to provide wider information for the council in considering the emerging plan and development growth beyond (but potentially also related to) the planned housing growth. HBC has also considered the viability of commercial/employment and other development use types through previous the earlier work leading to the already examined review of the CIL Charging Schedule (all as noted above).
- 3.2.32 The draft emerging Building a Better Future Plan reviewed by DSP contains a small number of Employment Allocations numbered 26 to 33. The plan also makes provision for the protection of employment sites. The nature and mix of uses on the proposed allocation sites is left open and ultimately will depend on market led activity. At this stage, taking the usual proportionate and appropriate approach, the further high-level review of viability continues to show mixed prospects at best, and this is when taking a positive view on the assumptions typically made in viability in planning.
- 3.2.33 As is to be expected, the results provided in Appendix 4 Tables 4a to 4d for general context do not support materially different outcomes to those seen previously here. They continue to show that for the CIL purposes nil-rating of these development use types in Havant Borough will remain appropriate. The indications remain that investment in development will be supported to the extent that market appetite exists at any stage, dependent on economic cycles and whether demand related to specific business plans or growth in certain sector will see schemes progress. Any pump-priming/grant monies could also be significant.
- 3.2.34 The Council is identifying a range of opportunities through the emerging plan policies. It does not appear to be promoting policies or requirements that will have an undue effect on scheme viability by exacerbating the effect of the continuing economic climate and property market uncertainty.
- 3.2.35 National and/or local requirements driving sustainable construction and increased energy efficiency should continue to be seen as appealing to developers'/investors' and occupiers' business plans and cost-effective

operations, and their ESG criteria. Although as with the residential development market, added development costs are involved short term, these can reasonably be expected to reduce as the higher requirements and routes to meeting them become embedded. In the meantime, in the commercial property market there is more evidence that improved building spec and reduced running costs helps support demand for property and therefore the value of it.

- 3.2.36 Overall, when making appropriate assumptions for viability in planning it is still not possible to say that there are good prospects for the viability of a full range of employment, commercial and other non-residential developments in a borough such as Havant and particularly on a speculative basis. Therefore, as above, the high level assessment of viability can only act as additional information for the Council in this respect.

3.3 Viability prospects overall - Affordable housing and other policies – summary

- 3.3.1 From discussion with the Council, review of provided information and the draft plan, developments on both PDL and GF sites will continue to be key to the overall picture in Havant Borough.
- 3.3.2 A differential approach to affordable housing should continue to be progressed in our view, and varied by both site type (PDL/greenfield) and by property type – specifically to include a further differential for flatted only development on PDL.
- 3.3.3 Mixed housing schemes on PDL (i.e. with a mix of houses and flats) support a more positive viability scenario with 20% AH, compared to flatted only schemes (developments comprising all i.e. only flats). Development on PDL entirely for flats/apartments (as emerging Policy 32 part a) iii is worded) continues to show a more challenging viability picture with results again pointing to 10% AH being a positive view of what could likely be viably supported, generally.

- 3.3.4 In contrast to PDL, the results clearly show more positive viability prospects for greenfield (GF) sites across a wide range of scenarios having the ability to support an improved and more consistent level of AH provision at 30%, or possibly higher, alongside other policies and costs. This finding is also remaining relevant to the Southleigh Strategic Scale Allocation (proposed Allocation 1) at this stage.
- 3.3.5 For developments on greenfield sites in Emsworth Ward (only), a further AH policy differential (upwards) can viably be included within the policy. This is an additional layer/revision added at Stage 2 following further review and discussion with HBC. We have cautioned above, however, that looking beyond these above reported levels would involve further probing and much more settled estimates of infrastructure/development mitigation requirements – including at Southleigh – to ensure that the fuller picture on this could be accommodated by the viability. It is considered that greater than 30% AH will be most relevant and productive as a potential policy component if development that is significant to the housing (including affordable homes) delivery is proposed in the highest value area - particularly Emsworth and the eastern end of the borough, most appropriately represented by the Emsworth Ward area.
- 3.3.6 Overall, unless the settled site supply picture clearly supports a more complex policy set up, as the headline this viability assessment at Stage 2 continues to support the Stage 1 and draft plan Policy 32 scale of AH requirements. These are set out again for ease as follows; and now including an additional layer reflecting greater the viability scope that should be supported by the available values for GF developments in Emsworth Ward – reflecting the findings noted above:
- 35% AH (Greenfield in Emsworth Ward only).
 - 30% AH (Greenfield) – except for Emsworth Ward (as above) i.e. elsewhere in the borough and including as the headline for Southleigh.
 - 20% AH (PDL) – borough wide. Exception for all-flatted schemes, as below.

- 10% affordable housing (PDL) – development entirely for flats/apartments (note: including specialist housing for older people). Again, intended for application borough wide.

3.3.7 This consistent approach to affordable housing clarity is based on the HBC overall dwelling mix and affordable housing tenure mix i.e. assumed in the modelling as comprising 42.5% social rented, 20% affordable rented and 37.5% affordable home ownership (appraised as shared ownership). It has been noted above (3.1.14) that the details of this mix have been updated subsequently.

3.3.8 These positions are supported alongside other national and the emerging draft local plan policy requirements. The scope of these and the assumptions reflecting them are set out in the methodology section above and summarised in the Appendix 1 tables. To recap briefly, and assessed alongside the included assumptions on usual developments costs, the HBC CIL, and s106, these include the below:

- **Nationally Described Space Standard (NDSS)**
- **Accessible Homes** (Building Regulations Part M4 (2) and (3))
- **Green infrastructure/open space requirements**
- **Water efficiency**
- **Low Carbon Development**
- **Electric vehicle charging points**
- **Biodiversity Net Gain (BNG)**
- **Self and Custom-build**
- **Building Safety Levy (BSL)**

- **Habitats Regulations Assessment (HRA)** – Solent Recreation Mitigation – Bird Aware Solent Revised Strategy 2025/26.
- **Nutrient Neutrality**

3.3.9 To further illustrate the RLV calculation structure and provide an overview of the main appraisal inputs, sample appraisal summaries in the format produced by the Argus Developer software are included. These are provided to the rear of the relevant Appendices containing the results tables.

3.4 Overall conclusions

3.4.1 Having reviewed the viability scope further, all as described above and illustrated through the Appendices to this report, we consider that assessed together the policies proposed in the Draft Building a Better Future Plan 2025 (as directly influence development viability) should mean that developments are able to come forward viably.

3.4.2 The emerging plan proposals continue to have reasonable viability prospects bearing in mind the range of scenarios planned for, and the length of delivery time involved, over which market conditions will vary and currently estimated extra-over costs associated with the stepping up of development standards can be reasonably expected to reduce.

3.4.3 We have acknowledged that all sites and schemes are different, and that some sites will face some viability challenges regardless of emerging policy requirements (particularly schemes entirely of flats in their usual PDL setting, and town centre regeneration). However, overall, development on greenfield sites and mixed housing schemes on PDL should be able to progress with affordable housing set at an appropriate level.

3.4.4 In all of this, it is important to reiterate the purpose of viability in planning is to inform and not constrain sustainable development; and in doing so enable the optimising of planning obligations as far as is practicable – aiming for balance.

- 3.4.5 This assessment stage was initially progressed during a spell when the property market had begun to stabilise further. Some more signs of cautious optimism were being reported following a period of steadier house prices and in which costs inflation was also back to more normal longer-term trend, gradual levels. We will however simply note that on drafting, events in the Middle East appear to have placed the economy back into a state of heightened uncertainty, with immediate inflationary pressures and early signs of increasing mortgage costs etc. Uncertainty also continues in regard to the further details to be announced and settled in the planning system.
- 3.4.6 However, as yet it is early days in terms of how deeply or for how long the effects of this latest crisis may be seen, and it is important to reiterate that while the assessment has been undertaken and assumptions and judgments necessarily made within a period in time, it is appropriate to aim to consider all this in the context of the overall plan timeline.
- 3.4.7 DSP will be happy to assist further in the LP viability assessment matters if HBC requires.

Stage 2 of the Havant Borough Council Local Plan Viability Assessment report ends.

Appendices 1 to 5 follow (provided in separate documents).

(May 2026)