



DEVELOPMENT VIABILITY REVIEW – SCRATBY ROAD, SCRATBY

In March 2023, Great Yarmouth Borough Council (“the Council”) commissioned BNP Paribas Real Estate to advise on a viability assessment of the redevelopment (“the Development”) of Scratby Road, Scratby (“the Site”) submitted by Pathfinder Development Consultants (“PF”) on behalf of Badger Building (East Anglia) Limited (“the Applicant”).

Our report provided an independent assessment of PF’s Viability Assessment Report to determine whether the affordable housing offer and Section 106 contributions as proposed have been optimised.

PF concluded that the proposed Development including 41 residential units (comprising 34% affordable housing) generated a deficit of -£93,645 against the viability benchmark.

After review of the PF submission, we concluded that the proposed Development with 41 residential units (comprising 34% affordable housing) generated a surplus of £809,103 against the viability benchmark.

We therefore undertook a further appraisal in relation to both the Rural Exception part of the Site in addition to the full Application Site. We concluded that the proposed Development including 38 residential units (a reduction of 3 units from the 41 unit proposal from the Applicant) generated a surplus of £497,422.

The 38 units is a combination of a policy compliant provision of affordable housing on the element of the Site within the settlement boundary, in addition to a provision of 62.5% affordable housing on the Rural Exception element of the Site.

The overall residential provision on the combined Site equates to 24 private residential units and 14 affordable housing units (11 affordable rent units and 3 shared ownership units).

In our review of PF’s appraisal assumptions, we had recommended the following amendments:

- Increase private residential values to reflect what is achievable in the current market;
- Adjust construction costs to reflect the current market;
- Adopt abnormal costs on a ‘without prejudice’ basis pending receipt of supporting evidence;
- Increase profit levels to reflect the risk profile of the scheme; and
- Reduce the viability benchmark.

PF further correspondence

PF have provided a further response dated 15 April 2023 within which they have sought to provide further justification / evidence in support of their viability conclusion. We have reviewed the additional information provided and have responded in the same structure for ease of reference.

- **Private residential values:** The proposed Development comprises 41 residential units providing a mix of detached houses; semi-detached houses and detached bungalows. PF relied upon a report prepared by Hometrack which was included in Appendix 1 of their wider report. The average value adopted by PF equated to £316 per square foot, or £326 per square foot dependent upon which viability assessment is reviewed.

We stated that whilst the Hometrack report provided a useful background context, we noted that it does not include any specific transactional evidence, nor did it appear that PF had undertaken further research to identify comparable transactions in the local market.

As part of our March 2023 report, we included a schedule of comparable transactions from the surrounding area. After due consideration, we increased the average value from £316 per square foot (proposed by PF) to £344 per square foot in our assessment.



In their most recent correspondence, PF have referred to 2 of the comparables within the schedule we provided, namely the two dwellings with the highest value on a 'per square foot' basis. PF state that if these units are removed, the average value reduces to £318 per square foot.

Whilst we acknowledge that the two units identified are at the top end of the range, we note that PF have not taken into account the units at the lower end of the range. If the 2 units achieving the lowest values are also removed, the average value referred to by PF of £318 per square foot increases to £327 per square foot.

In the interests of achieving an agreed position, we have reduced the average private residential value from £344 per square foot to £326 per square foot on a 'without prejudice' basis.

Updated Appraisal Results and Conclusion

In our March 2023 response, we concluded that the proposed Development with 38 residential units generated a surplus of £497,422 against the viability benchmark. As previously stated, the 38 units were a combination of a policy compliant provision of affordable housing on the element of the Site within the settlement boundary, in addition to a provision of 62.5% affordable housing on the Rural Exception element of the Site. For the avoidance of doubt, the Rural Exception Site only comprised 10 affordable housing units and 6 private housing units.

As a result of the reduction to the private residential unit values, we have undertaken an updated appraisal to establish the impact on the quantum of private housing units on the Rural Exception part of the Site only. The scheme comprising 10 affordable housing units and 6 private housing units generates a deficit against the viability benchmark. Therefore, we have undertaken an appraisal assuming 10 affordable housing units and 7 private housing units. The scheme generates a surplus of £76,877 against the viability benchmark.

We have therefore undertaken a further appraisal of the entire Application Scheme taking into account 7 private housing units on the Rural Exception Site element. The scheme therefore comprises 39 residential units of which 14 units are of affordable housing tenure (35.9% by units across the entire Site). The scheme generates a surplus of £406,753 against the viability benchmark.

The 39 units is combination of a policy compliant provision of affordable housing on the element of the Site within the settlement boundary, in addition to a provision of 58.82% affordable housing on the Rural Exception element of the Site.

The overall residential provision on the combined Site equates to 25 private residential units and 14 affordable housing units (11 affordable rent units and 3 shared ownership units).

The Council should note that in our original report, we adopted the abnormal costs on a 'without prejudice' basis pending receipt of supporting evidence. At the time of writing, we have not received the requested supporting evidence.

19 April 2023