

Viability Study

Park Road, Malmesbury, Wiltshire

Turner Morum LLP

PLANNING REFERENCE: 19/05898/OUT

September 2026

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1. BACKGROUND AND RELEVANT EXPERIENCE

- 1.1.** My name is Thomas Hegan of 32-33 Cowcross Street, London EC1M 6DF. I am a Member of the Royal Institution of Chartered Surveyors (“RICS”) having qualified in 2010 following the award of an Honours degree in Real Estate Valuation and Management from the University of West England, Bristol – in 2005.
- 1.2.** In 2007 I joined the practice of Turner Morum Chartered Surveyors and was made a Partner in 2013. I am a specialist in the field of development site appraisals and associated subjects. Some of the work I am currently undertaking or have recently undertaken is attached to this statement as **Appendix 5**.
- 1.3.** I regularly advise across the whole of the UK on the value and potential of major tracts of development land. I am currently instructed by a substantial number of Local Authorities, Landowners, Developers and Promoters, and I have extensive experience in this field. I am an Accredited Expert Witness and have previously provided Expert Valuation Evidence. I have successfully undertaken the Advanced Professional Award in providing Expert Witness Evidence & am also an RICS Registered Valuer.
- 1.4.** Turner Morum was appointed by Mr Angus Johnson of Lagan Homes to undertake a viability assessment of the proposed development at Park Road, Malmesbury, Wiltshire. The Developer descriptions is as follows: “**Outline application for up to 50 residential units, internal road, parking, open space and associated works, with all matters reserved other than access**”.
- 1.5.** The subject site is located to the west of the town centre of Malmesbury, which is situated between Cirencester and Chippenham. The site area equates to 1.21 ha or 2.98 acres. A location plan can be viewed as per **Appendix 1**.
- 1.6.** I have carried out a development appraisal adopting a bespoke valuation model structure to analyse the viability of the proposed scheme. The residual appraisal and supporting information can be seen as **Appendix 2**. In undertaking this viability assessment, I am aware and follow the mandatory RICS *Financial Viability in Planning; Conduct & Reporting (2019)* (see **Appendix 7**). I am also aware of viability guidance documents such as the RICS *Financial Viability in Planning (2012)*, *Viability Testing Local Plans* (the Harman report) and the RICS *Assessing viability in planning under the NPPF 2019 for England (2021)*. I am also aware of the Planning Practice Guidance on Viability published following updates to the National Planning Policy Framework (NPPF).

2. MECHANICS OF THE ASSESSMENT

2.1. My residual appraisal analysis can be summarised as follows: -

- **Appendix 2 Tab 1A** – Appraisal showing the viability of the proposed scheme with 40% affordable housing (16 units) with a 60% / 40% split as affordable rent and shared ownership respectively.
- **Appendix 2 Tab 1B** – Appraisal showing the same scheme as above but with 20% affordable housing (8 units) again with a 60% / 40% tenure split.
- **Appendix 2 Tab 1C** – Appraisal showing the viability of the proposed scheme with 10% affordable housing (4 units) – again with a 50% / 50% tenure split.
- **Appendix 2 Tab 1D** – Appraisal showing the same scheme as above but with 10% affordable housing (4 units), albeit all included as discount market housing.
- **Appendix 2 Tab 1E** – Appraisal showing the viability of the proposed scheme with 0% affordable.

2.2. I will now run through the various appraisal inputs in sequential order as they appear in my residual appraisal analysis:

REVENUES

2.3. The adopted market revenues are based on internal estimations provided by the applicant. This unit-by-unit pricing schedule is included at **Appendix 3** as well as sales evidence to support these recommended revenue assumptions. On this basis my appraisal assumes an average revenue of [REDACTED] per square foot which results in market housing GDVs ranging between [REDACTED] at 40% affordable and [REDACTED] at 0% affordable.

2.4. In support of these market revenue assumptions, I have firstly included the current asking price from the nearby Bloor Homes scheme at Avon Rise, Malmesbury and from the Cotswold Homes scheme at Hopton Rise, which average [REDACTED] per square foot respectively. In current market conditions I believe these figures would need to be discounted by at least 10%, with at least a 5% discount from asking to the achieved gross prices, with a further 5% minimum to reflect required sales incentives. Following these adjustments, the estimated net figures would average [REDACTED] per square foot respectively. This market revenue evidence and the associated analysis is included as **Appendix 3**.

- 2.5.** We then also have comparable transaction evidence from the nearby Persimmon scheme at Blackridge Farm in Malmesbury, which is within extremely close proximity to the subject site – with a schedule of the achieved gross price included as **Appendix 4**. As will be evident, sales from this scheme completed in September 2025 and averaged [REDACTED] per square foot before allowances for sales incentives are reflected. If one assumes a 5% incentives allowance on average, this results in net sales values of [REDACTED] per square foot. In my opinion, this sales evidence and analysis suggest that the [REDACTED] per square foot that has been assumed within my analysis is wholly optimistic.
- 2.6.** These affordable revenues reflected within my analysis is based on benchmark percentages of Open Market Value (“OMV”), with the affordable rented units included at 45% of OMV – averaging [REDACTED] per ft² and the shared ownership is included at 65% of OMV – which equates to [REDACTED] per ft². On an overall basis, the affordable values equate to [REDACTED] per square foot – which is 53% of OMV. Again, I feel these affordable revenue assumptions are optimistic – noting the extremely limited appetite for s106 affordable housing at present.
- 2.7.** The total scheme GDV therefore equates to some [REDACTED] at 40% affordable housing and [REDACTED]m at 0% affordable housing.

DEVELOPMENT COSTS

- 2.8.** Fees and marketing costs in respect of the development are included at 3.0% of Market Housing and Discount Market Sale Gross Development Value (“GDV”), and the cost of disposing of the affordable units to a Registered Provider is included at 0.5% of affordable GDV, as per standard industry benchmarks.
- 2.9.** Standard construction costs are derived from the Royal Institution of Chartered Surveyors (RICS) Build Cost Information Service (BCIS) with standard construction costs included based upon the latest median quartile figures (Q3 2026) reflecting the 5-year age range of results, which is necessary to reflect the current build regulations - in particular the Part L building regulation enhancements and build cost inflation.
- 2.10.** As per BCIS guidance, to the base construction costs additional allowances are made for locational weighting (0.93 – North Wiltshire), Net to Gross for flats (15%), External (15%) and contingency which is applied at 5%. A breakdown of the BCIS cost data is included at **Appendix 2 Tab 3**, with these additions generally applied within each residual appraisal.
- 2.11.** With regards to the 15% external allowance, this results in external works costs of just [REDACTED] per dwelling, which is intended to cover (amongst other things) the costs of all gardens,

fences, driveways, plot roads, plot services and plot drainage. Again, these costs are well below my client's internal estimates for this scheme, which I am advised can be verified if required.

- 2.12.** The aforementioned allowances result in standard construction costs of [REDACTED] per ft² for Estate Housing – Generally and [REDACTED] per ft² for Flats – Generally – with overall costs averaging just [REDACTED] per square foot for this scheme, which cannot be considered unreasonable. These costs are well below my client's internal cost assumptions.
- 2.13.** There are 10 single garages and 2 double garages proposed within this scheme, which have been included at [REDACTED] and [REDACTED] respectively, which results in garages costs totalling [REDACTED]
- 2.14.** I have not made a separate allowance for the costs associated with the Part L & F building reg enhancements – essentially because these costs are now (largely) covered within the 5-year BCIS build cost data (albeit there is an argument that a relatively low extra-over allowance would still be justified, given that the enhancements were only required for dwellings completed from mid-2023 onwards).
- 2.15.** I have included an extra-over cost allowance to reflect the costs associated with Future Homes Standards – which is included at further [REDACTED] per dwelling, which totals some [REDACTED]
- 2.16.** An allowance for Technical Fees is included at 10% of the standard build cost, the externals, the garage costs and the future homes costs - which is intended to reflect the costs associated with all architects, quantity surveyors, engineers, project management and all other technical / professional consultancy input. In my opinion, this is an appropriate allowance for a scheme of this scale.
- 2.17.** Allowances for developer profit are then included at 20% of the market housing GDV, 15% of the discount market housing GDV and at 6% of the affordable housing GDV. In my view, these are the absolute minimum developer returns that would be required for a scheme of this nature – reflect present market conditions, which I would characterise as being extremely poor and risky. These assumed returns result in blended returns ranging between 17.2% and 20% of scheme GDV.
- 2.18.** The infrastructure and abnormal development costs are provided within cost plan that has been produced by cost consultants, Rider Levett Bucknall (RLB) – totalling some [REDACTED]. This cost plan is summarised at **Tab 4 of Appendix 2** and is included in full as **Appendix 5**.

- 2.19.** The s106 costs have been included at [REDACTED] as advised by my client. Clearly, if the s106 requirements from the scheme differ from this amount, it may be necessary to update my analysis accordingly.
- 2.20.** The Community Infrastructure Levy ("CIL") has been calculated based on the proposed market housing scheme GIAs based upon the local CIL rate of [REDACTED] per square metre of market housing. This results in CIL contributions ranging between [REDACTED] at 40% affordable and [REDACTED] at 0% affordable.
- 2.21.** The Building Safety Levy ("BSL") has again been calculated for the scheme, also based upon the market housing GIAs, with BSL costs ranging between c. [REDACTED] at 40% affordable housing and c. [REDACTED] at 0% affordable. This is based on a charge of [REDACTED] per m2 for Greenfield Land in the Wiltshire LPA, as required by DHCLG.
- 2.22.** With regards to the calculation of finance, I have included within my appraisal a quarterly cashflow to reflect the cost of finance for my appraisal analysis. This can be seen as per **Tab 5A – 5E of Appendix 2** and reflect the details of the particular scheme including the build rate of the residential units and the particular infrastructure timings. I have made the assumption that construction will commence on site within Q2 Year 1, following a 3-month period of site preparation associated with the initial abnormal and infrastructure works. I have assumed residential sales will commence in Q1 Y2 after a 3-month period of initial infrastructure works and 9 months of residential construction – with market sales at 4.5 market dwellings per quarter, with the affordable housing delivered proportionally on top.
- 2.23.** The cashflow analysis includes debt at 7.5% which I believe is reasonable in current economic conditions. The finance costs calculated within my analysis equate to approximately 4.8% of development costs within the policy compliant model, which I feel is entirely appropriate for a cash-intensive, single-phase, greenfield scheme of this nature.

3. VALUATION METHODOLOGY

- 3.1.** The structure of my Residual Appraisals produces a Residual Land Value (RLV) which is then compared with an adopted Benchmark Land Value (BLV). If the RLV exceeds the Land Value, a surplus is generated and the scheme can be deemed "Viable". However, if the RLV is less than the Land Value, a deficit is produced and the scheme should be considered "Non-Viable".

- 3.2.** The issue of what is deemed to be an appropriate BLV for inclusion within viability studies is at present a highly topical subject. Planning appeal decisions and government guidance dictate that one has to ignore the amount that is actually paid for a development site and instead adopt an appropriate BLV.
- 3.3.** For the purposes of this analysis, I have adopted a BLV of just [REDACTED] per gross acre which - in my opinion – is extremely conservative and results in a total landowner receipt of just [REDACTED] for a development site for 40 dwellings. Realistically speaking, I believe any landowner would require a markedly higher amount to sell a residential site of this nature.
- 3.4.** I have then made allowances for Stamp Duty Land Tax (SDLT) at the prevailing rates (equating to 1.48%) and Agent/Legal fees at 1.75% of the total BLV. After making these allowances, the total BLV adopted for the purposes of this assessment equates to some [REDACTED]

4. SUMMARY CONCLUSION

- 4.1.** The outturn of my analysis can be summarised as follows:

Scenario	Scenario	RLV	BLV	Surplus/ Deficit	Actual Dev Return
1A	Residual Appraisal - 40% Affordable	[REDACTED]			
1B	Residual Appraisal - 20% Affordable				
1C	Residual Appraisal - 10% Affordable				
1D	Residual Appraisal - 10% DMS				
1E	Residual Appraisal - 0% Affordable				

5. SENSITIVITY ANALYSIS

- 5.1.** In order to assess the viability, I have undertaken a sensitivity analysis by varying the level of affordable housing to try and achieve the break-even position (where the RLV is equal to the BLV). In this instance, as per Tab 1E, I have reduced the affordable housing to 0% however even with this reduction the scheme still shows a deficit and therefore is technically non-viable.

- 5.2.** As one can observe from the table above and the appraisal included as **Appendix 2** that the RLV of the proposed scheme does not exceed the adopted BLV even when the affordable housing % is removed altogether. In order to consider the viability further, we have undertaken a sensitivity analysis which tests the impact of revenue & cost variations on the viability of the scheme at the policy level of affordable housing contribution, by up to a 10% variation. This enables one to observe the impact on the overall viability conclusions. This assessment is summarised in the table below (using appraisal model **Tab 1E of Appendix 2** as the benchmark):

Tab 1E		
SENSITIVITY TABLE		Market Revenues - GDV
Total Cost	10%	
	5%	
	0%	
	-5%	
	-10%	

6. CONCLUSIONS

- 6.1.** You will note from the table above and the appraisal included as **Appendix 2** shows the proposed scheme incurring a deficit even when the affordable contributions are reduced. In these circumstances the scenarios tested should therefore be considered technically 'non-viable'.
- 6.2.** In my experience, where certain deficits are incurred in viability the developer can chose to take the 'commercial decision' to proceed with a scheme at a certain level of affordable provided that the deficit does not increase any further beyond that point. On this basis, my client has advised me that would be prepared to deliver this scheme with the provision of 10% Discount Market Sale (4 DMS units).
- 6.3.** This deficit essentially represents an amount of 'usually required' developer profit that my client would essentially be forgoing in this instance, in order to see the scheme proceed. My analysis illustrates that – technically speaking – no affordable housing can be viably afforded – as illustrated by the deficit that exists within the Tab 1E appraisal.
- 6.4.** I believe the conclusions of my analysis are especially apparent when one considers the extremely optimistic nature of my appraisal inputs, particularly the market (and affordable)

revenues, the standard construction costs, the scheme finance costs and benchmark land value.

- 6.5. My client is prepared to see the scheme delivered with 10% discount market housing reflecting the mix included within my analysis and provided the viability conclusions do not worsen from those illustrated at **Appendix 2 Tab 1D** of the enclosed viability analysis.
- 6.6. I hope this provides a sufficient level of information. I would welcome the opportunity to discuss the findings of my analysis with you at your earliest convenience.

This report has been prepared by:

Thomas Hegan MRICS

Turner Morum LLP