Viability Study

Potters Bar, Mutton Lane, Hertfordshire, EN6 5BA

Turner Morum LLP

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Appendices

1. BACKGROUND AND RELEVANT EXPERIENCE

1.1. My name is Thomas Hegan of [redacted]. 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 6**.

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 were appointed by Chase New Homes Limited ("CNH" or "the Applicant") to review and undertake a viability assessment in regard to their proposed development on the site at Mutton Lane, Potters Bar, EN6 5BA. The proposed scheme is for:

Partial demolition of existing buildings (with retention of existing two-storey car park and substation) and redevelopment of the site to provide a mixed-use development comprising residential apartments (Class C3) and flexible commercial floorspace (Class E) across 4 Blocks and associate internal roads, parking, drainage, landscaping, amenity space and associated works.

1.5. The subject site is located in the Hertsmere LPA. The site area equates to 1.63 ha or 4.03 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 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 293 unit scheme but with no affordable housing.
- **Appendix 2 Tab 1B –** Appraisal showing the viability of the proposed scheme with 12% affordable housing, all located within Block D (36 units), with all affordable units at Social Rent tenure.
- **Appendix 2 Tab 1C –** Appraisal showing the viability of the proposed scheme with 12% affordable housing, all located within Block D (36 units), with all affordable units at Shared Ownership tenure.
- **Appendix 2 Tab 1D –** Appraisal showing the viability of the proposed scheme with 12% affordable housing, all located within Block D (36 units), with all affordable units at Discount Market Sale tenure.

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 market revenues are based on advice from local agents Barnfields/Sequence, Hamptons and Lanes, which averages £554 per square foot – see **Appendix 3**. However, it should be noted that my appraisal analysis includes market revenue averaging **£600** per square foot, which should be considered a wholly optimistic position to adopt, for the purposes of this assessment.

2.4. With regards to the affordable revenues, these are included based upon benchmark percentages of Open Market Value ("OMV"), assuming the following:

- Socially Rented values included at 40% of OMV – averaging **£240** per square foot,

- Shared Ownership housing is included at 60% of OMV – which equates to **£360** per square foot,
- Discount Market Sale included at 70% of OMV – equating to **£420** per square foot.

2.5. It is widely accepted that current bids for s106 affordable housing are extremely 'soft', and these benchmark %s are again considered to be optimistic – also noting that the %s are applied to the optimistic market revenues of £600 per square foot.

NON-RESIDENTIAL

2.6. With regards to the non-residential elements, across the scheme there is some 17,119 ft2 identified for Class E use, to which I have applied an assumed an optimistic rent of £20 per square foot, a yield of 7.5% and a rent-free period of 6 months. I understand that the Council have indicated a wish to see smaller operator tenants (e.g. not nationally operating supermarkets) which is further supportive of this adopted yield. After accounting for purchaser's costs at 6.8%, this results in some **£4.1m** of assumed income for the non-residential space.

2.7. The total scheme GDV therefore ranges between **£119.4m** with 12% for social rent and **£129.6m** for the scheme delivered entirely as market housing.

DEVELOPMENT COSTS

2.8. Fees and marketing costs in respect of the development are included at **3.0%** of Market Housing Gross Development Value ("GDV") as well as Discount Market Housing. This allowance is intended to cover all costs associated with agency, legal fees and any costs associated with on-site show houses and any staffing costs. The cost of disposing of the affordable units to a Registered Provider is included at **0.5%** of affordable housing GDV. I would suggest this is a standard industry assumption, at less than £1,100 per affordable dwelling. The disposal cost for the non-residential land is included at **2.5%** of the non-residential GDV, which I would again suggest is a standard industry allowance.

2.9. Standard construction costs are derived from a scheme specific cost plan produced by Academy Consulting Quantity Surveyors – which is included as **Appendix 4**. It will be noted that this cost plan equates to c. **£270 per ft2** which is adopted within all residual appraisals. This figure is considered to be an 'all in' build cost figure (exc. fees) to construct the flatted blocks and the non-residential elements.

2.10. With regards to technical / professional fees, these are included at **4%** of the cost plan – which is intended to cover the cost associated with architects, quantity surveyors, engineers, project management and all other technical / professional consultancy input, including all fees associated with securing all detailed reserved matters approvals for the residential / non-residential. By way of comparison, the suggested allowance for technical / professional fees included within the pre-consultation draft of Hertsmere Borough Councils Local Plan Viability Assessment (LPVA) as prepared by HDH Planning & Development (January, 2026) is **8%**.

2.11. I have then included target developer profit allowances at 20% of market housing GDV, 12% on Discount Market Sale GDV and 6% of s106 affordable GDV, and 15% of non-residential land GDV. I would suggest that these assumed returns are typical industry benchmarks. These profit allowances result in blended target returns ranging between **18.7%** and **19.8%** of scheme GDV per development scenario - which I do not believe can objectively be considered excessive. In my view, these profit returns are the absolute minimum amounts that would be required for a scheme of this nature, having regards to present market conditions – which I would characterise as being extremely poor.

2.12. Estimated S106 costs have been included at a cost of £5,000 per unit as advised by the applicant, and based on the rate assumed in the HDH whole-borough viability assessment which has been prepared to support the new Hertsmere Local Plan, totalling **£1.465m**.

2.13. The Building Safety Levy ("BSL") has been calculated for the proposed scheme, calculated based on market housing which ranges between **£530k** at 12% affordable housing and **£611k** 0% affordable housing. This is based on a charge of **£23.69** per square metre for previously developed land in Hertsmere, as proposed by the Government Consultation of BSL.

2.14. CIL has been calculated based on the proposed scheme GIA with a reduction for the existing space. The CIL is assessed at **£200.84** per square meter for residential dwellings and **£133.89** per square meter for non-residential (Class E) space. This results in a total projected liability of **£3.13m**, comprising **£2.967m** for the residential spaces and **£163k** for the retail areas across the 12% affordable scenarios. For the 0% affordable scenario, the CIL totals **£3.822m**.

2.15. During the course of the application process should either of the assumptions on CIL/S106 prove to be inaccurate I would reserve the right to amend the appraisal in line with the accurate planning obligations.

2.16. 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 6A – 6D of Appendix 2** and reflect the details of the particular scheme including the build rate of the residential units and the particular infrastructure timings.

2.17. I have made the assumption that construction will commence on site within Q1 Year 1, alongside a period of site preparation associated with the initial abnormal and infrastructure works. The construction works of the proposed units are assumed to last 3 years and to be completed by Q4 Y3. I have assumed a sales rate of 35 market unit per quarter, equivalent to 140 market sales per annum. I consider this to be an extremely optimistic in the current market. Affordable units are assumed to be disposed of proportionately on top.

2.18. The finance cost calculations reflect 7.5% as a cost of debt, which I again believe to be entirely reasonable in current economic conditions. The finance costs in my analysis ranges from 7.3% to 8.2% of development costs, which are reasonable for such a cash intensive development, with a relatively high Existing Use Value (EUV) as considered further below.

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 a highly topical subject; planning appeal decisions and government / PPG 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 relied upon an Existing Use Report provided by Newmark which recommends an Existing Use Value of **£15.655m** as adopted within my appraisal. This is included at **Appendix 5**. I have taken a conservative approach in not applying a premium to this EUV, albeit I consider that one could be justified, in accordance with the PPG viability advice.

3.4. I have then made allowances for Stamp Duty Land Tax (SDLT) at the prevailing rates (equating to 4.93%) and Agent/Legal fees at 1.5% of the total BLV. After making these allowances, the total BLV adopted for the purposes of this assessment equates to some **£16.66m**.

4. SUMMARY CONCLUSION

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

Scenario	No. Units	% Aff	Tenure	RLV	BLV	Surplus/ Deficit
0% Affordable Housing - 100% Private	293	0%	None	£2,565,325	£16,662,075	**-£14,096,750**
12% Affordable Housing - Social Rent	293	12%	AR	-£2,671,557	£16,662,075	**-£19,333,632**
12% Affordable Housing - Shared Ownership	293	12%	SO	£854,350	£16,662,075	**-£15,807,725**
12% Affordable Housing - DMS	293	12%	DMS	£701,434	£16,662,075	**-£15,960,641**

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 1A, 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. In this instance, 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 reduced.

5.3. In order to assess the viability further, we have undertaken a sensitivity analysis which tests the impact of revenue & cost variations on the viability of the scheme at 0% affordable housing, 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 1A of Appendix 2** as the benchmark:

Tab 1A						
SENSITIVITY TABLE		Market Revenues - GDV				
		-10%	-5%	0%	5%	10%
Total Cost	10%	-£35,229,801	-£29,376,562	-£23,680,316	-£18,391,148	-£13,163,424
	5%	-£30,005,335	-£24,174,195	-£18,857,812	-£13,630,087	-£8,445,725
	0%	-£24,780,869	-£19,324,475	-£14,096,750	-£8,895,225	-£3,768,462
	-5%	-£19,817,743	-£14,563,413	-£9,344,726	-£4,217,962	£908,801
	-10%	-£15,030,077	-£9,802,352	-£4,667,463	£459,301	£5,520,854

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. This 'commercial decision' would be reached on an individual site basis on the formed on the assumptions within this appraisal. On this basis the applicant has advised me that they are prepared to deliver the scheme with 100% market housing, as per the appraisal included at Tab 1a of Appendix 2.

6.3. I believe the conclusions of my analysis are especially apparent when one considers the conservative nature of my appraisal inputs, including the optimistic market revenues, the low professional fees and the lack of an EUV premium, which would have been justified. Comparing the site with the pre-consultation draft Hertsmere Borough Council Local Plan Viability Assessment produced by HDH in January 2026, it clear to see that all flatted schemes that were tested as part of the assessment are non-viable with the policy compliant levels of affordable housing and therefore it should not come as a surprise that this scheme suffers from a viability perspective

6.4. The £14.1m viability deficit illustrated within my analysis 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. As my client owns the site freehold they prepared to proceed with the scheme on this basis provided, this deficit (and the achievable return) does not reduce any further.

6.5. 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.

[redacted]

Thomas Hegan MRICS
Partner