

SENT BY EMAIL

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Dear David Newham and Planning Policy Team,

SOUTH TYNESIDE LOCAL PLAN: VIABILITY ASSESSMENT

1. Following the Viability Workshop held in September 2021 the Home Builders Federation (HBF) would like to make the following observations on the Viability Assessment for South Tyneside. A copy of the HBF Viability Assessment Guidance Note has also been included with this response, hopefully, this will also be useful to the Council.
2. The HBF is the principal representative body of the house-building industry in England and Wales. Our representations reflect the views of our membership, which includes multi-national PLC's, regional developers and small, local builders. In any one year, our members account for over 80% of all new "for sale" market housing built in England and Wales as well as a large proportion of newly built affordable housing.
3. It should be noted that the HBF is not a home builder or landowner and as such cannot provide detailed evidence, we are however, in a position to highlight the general concerns of our members.

Proposed Construction Costs

4. The HBF considers that the Council will need to work closely with the home building industry to ensure that the proposed build costs are appropriate and reflects all costs.

Additional Assumptions: Developer return (profit)

5. The HBF acknowledges it can be difficult to agree on an appropriate figure for profit for all development types and developers. The PPG advises that a figure between 15-20% is appropriate. It is noted that the Viability Assessment suggests a figure of 15% - 20% for market homes dependent on the site size and 6% for affordable homes. The HBF considers that affordable housing return is no longer appropriate in relation to First Homes, where it is likely that the risk for delivering these homes will lie with the developer rather than the registered provider, this figure should therefore be significantly increased. The HBF considers that it would be more appropriate to ensure that the overall figure is in the order of 17.5-20% of Gross Development Value (GDV) for a viability assessment, and that the Council consider if a higher figure should be applied for small developments reflecting the greater risk associated with securing finance encountered by smaller developers.

Proposed Benchmark Land Value

6. The HBF considers that it is important that the Council seek to ensure that the Benchmark Land Values (BMLV) identified are realistic and are appropriate and would



ensure that land continues to come to the market. The HBF would strongly recommend that the Council ensure appropriate engagement with local landowners has taken place.

Future Homes Standard & Updates to Building Regulations

7. The Council may want to consider the implications of potential national policies in relation to accessible dwellings and EV Charging, as well as the Future Homes Standard and Biodiversity Net Gain as these are likely to have implications for viability of development going forward. They may also have implications in relation to site density, layout, lead-in times and electrical capacity, which may also need to be considered as part of this assessment.
8. The HBF is concerned that the costs of introducing the new standards, particularly in relation to heat pump installation are likely to be significantly above existing costs for traditional heating technologies and remain so for the foreseeable future. While it may be argued that this can be offset by landowners' return, it should be noted that other expectations being pursued with similar assumptions, for example electric vehicle charging, biodiversity, water and sewerage infrastructure charges, design, and general debate regarding land value capture all have a cumulative impact on land value and cannot be viewed in isolation. It remains to be seen what compromises landowners are willing to make on values and impact the results of these decisions will have on landowner appetite to sell. Should there be a general lack of willingness to accept lower land valuations, viability will be squeezed, and the volumes of land currently being brought to the planning process by home builders will inevitably be reduced.

Future Engagement

9. I trust that the Council will find these comments useful as it continues to progress its Local Plan. I would be happy to discuss these issues in greater detail or assist in facilitating discussions with the wider house building industry.
10. The HBF would like to be kept informed of all forthcoming consultations upon the Local Plan and associated documents. Please use the contact details provided below for future correspondence.

Yours sincerely,



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