



LONDON PLAN VIABILITY STUDY PHASE 1 REPORT GREATER LONDON AUTHORITY

GLA VIABILITY TEAM

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This report has been produced as an evidence base document to support the preparation of the new Draft London Plan. This report and the viability analysis contained within it does not constitute a formal development appraisal or formal land valuation. The data used in this study has been informed by publicly accessible financial viability assessments undertaken for planning purposes and from published data sources. The viability analysis has been undertaken on the basis of indicative development typologies, and appraisal inputs have been informed by currently available data and forecasts, both of which are subject to change. The appraisal inputs assumed within this viability study have been adopted on the basis of a pan-London area-wide viability assessment and are not appropriate for a scheme specific financial viability assessment, which requires detailed consideration of individual site and scheme specific inputs. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report unless previously agreed by the GLA.

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1. EXECUTIVE SUMMARY

Context and purpose of this report

- 1.1 This Phase 1 report sets out the findings of the London Plan Viability Study (LPVS), which is an evidence base document supporting the new London Plan. The LPVS assesses the viability of the emerging policies of the Draft London Plan, and it also helps inform the overall housing numbers and affordable housing levels as per the National Planning Policy Framework (NPPF) which requires plan-makers to have a clear understanding of the land available in their area through the preparation of a Strategic Housing Land Availability Assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability.
- 1.2 The new Draft London Plan is not able to set out a ten-year housing target that meets the overall level of need set by government (which now stands at c850,000 new homes) given that the identified capacity has had to be moderated to account for factors affecting deliverability, such as current viability conditions and the anticipated pace of infrastructure delivery. The assessment of housing targets at the Plan-making stage involves striking a carefully considered balance utilising professional judgement and drawing upon the viability analysis, SHLAA and sector engagement in order to set the target. This involves navigating the particular challenges currently being faced and identifying mitigations where possible. Within this context, the target set by the Draft London Plan is stretching given the identified delivery challenges and reflects the objective of going as far as is reasonable and feasible to meet housing need. Housing targets will be kept under review over the course of the development of the London Plan, with a view to increasing these where this is supported by improvements in the wider delivery context.
- 1.3 While the LPVS is being undertaken at a time where significant challenges to housing delivery exist in London, the London Plan, as a long-term spatial development strategy, will span different points in the economic cycle, and needs to take a longer-term strategic approach to meeting housing needs in London. In particular it needs to continue to drive ambitions for affordable housing and housing design quality, promoting innovation and progress, and ensuring the delivery of sustainable development. The new London Plan, through its spatial planning and its strategic policies, will have an important role in shaping expectations, providing confidence and establishing planning policy requirements, thereby serving to help underpin and foster improvements in viability going forwards.
- 1.4 It is further important to acknowledge that the LPVS is a high-level area-wide viability assessment conducted for a large and varied geographic area, to support a long-term spatial

development strategy. Residual land valuation, the methodology employed in the LPVS for area-wide viability analysis, can be highly sensitive to relatively small input changes which can result in significant impacts upon appraisal outturns. In light of this, the outputs of viability analysis should always be subject to a sense-checking and further reconciled against a consideration of a wider evidence base to ensure that holistic and informed judgements are made in respect to policy formulation and wider Plan-making. It should also be borne in mind that there can be differences between conclusions reached through viability analysis undertaken for planning purposes using standardised inputs and how the market operates in practice, and in different areas, in bringing forward new developments. The approach taken by public sector-led delivery initiatives and land-led projects by housing associations to deliver new housing will also be different. Thus, area-wide viability analysis should be viewed as being indicative rather than wholly determinative.

- 1.5 A Phase 2 report will consider responses received from the consultation process, undertake any further testing on key policies as necessary, whilst also taking account of market movements and monitoring since the production of the Phase 1 report. The GLA will continue to work with central government, London Boroughs and other partners to manage challenges and work to support higher levels of housing delivery.

Macroeconomic and housing delivery context

- 1.6 The current challenging housing delivery context in London is multifactorial in nature and has been described as a 'perfect storm' of converging inter-linked issues. Prior to the Covid-19 global pandemic, an ultra-low-interest rate environment arising from monetary policy coupled with supportive fiscal measures enabled a strong housing delivery climate.
- 1.7 Following the Covid-19 pandemic, the UK alongside other developed nations witnessed high levels of inflation which were further exacerbated by the Ukraine War. This led to a cost of living crisis as household incomes and purchasing power were eroded. In the construction sector, higher energy prices resulted in significant increases in the cost of building materials, and supply chain issues and wider structural issues in the construction labour market further contributed to construction cost inflation.
- 1.8 The Bank of England responded to the inflationary climate by increasing the Base Rate alongside other monetary policy instruments to cool the economy. Wider geo-political and economic uncertainty, including the Iran conflict, have compounded bond market concerns around sustained inflation resulting in higher borrowing costs for the UK government and the wider economy.

- 1.9 Alongside higher living costs, the impact of higher mortgage costs has disproportionately impacted upon London as affordability pressures are significantly greater due to higher house prices. The result of this, alongside other factors, has been a reduction in the levels of effective demand for market homes which is required to support the sales absorption rates necessary to deliver new homes, and particularly the highest density forms of development prevalent in London.
- 1.10 Developers have also faced higher financing costs, which, when combined with the increased development costs and slower sales rates have negatively affected cashflows and viability.
- 1.11 Alongside the challenging macro-economic conditions, rapid adaptations to new regulatory requirements, particularly the requirement for buildings greater than 18 metres in height to include a second staircase have also increased construction costs whilst at the same time reducing net to gross floorspace optimisation. In addition, administrative delays at Gateway 2 have slowed construction activity, with London being disproportionately affected due to a greater concentration of taller buildings.
- 1.12 Notwithstanding the current challenges to housing delivery in London, market forecasts over the next five years show the potential for sales value growth which would support viability. London is a highly resilient and adaptable global city, and it is considered that the underlying strengths of London which underpin its growth and development remain.
- 1.13 In this context, the new Social and Affordable Homes Programme (SAHP) 2026 to 2036, £1.5 billion in low-interest loans through the Mayor's new City Hall Developer Investment Fund (CHDIF) alongside measures to support the financial capacity of Housing Associations including the 10-year social housing rent settlement and future rent convergence, collectively form significant interventions to support affordable housing delivery in London. Analysis within the study also indicates that the provision of affordable housing in developments plays an important role in supporting overall housing delivery, particularly in the current market.

Responding to the identified challenges

- 1.14 In response to the currently challenging housing delivery climate, the government and the Mayor have jointly brought forward a package of emergency measures to support housing delivery in the interim period before the adoption of the new London Plan.
- 1.15 The Draft London Plan itself seeks to bring forward a more streamlined spatial development strategy which is cognisant of the current challenges whilst also looking to the future and

providing a longer-term strategic planning framework for London. Rather than a single pan-London affordable housing threshold, it proposes three different affordable housing threshold locations which take account of the spatial difference in viability across London. It also introduces a lower threshold for smaller scale developments and allows significant transport infrastructure to be offset on public land. Alongside this, a 'Viability Tested Route' remains, enabling schemes which have viability constraints to follow this route to determine the maximum viable level of planning obligations which allow for a deliverable scheme.

- 1.16 The Draft London Plan has also balanced requirements in other areas. It focuses on securing the delivery of energy improvements as part of developments while removing carbon offsetting contributions. It also provides greater flexibility in other areas such as heat networks and cycle storage, which have been highlighted as particularly impactful on efficient layouts and viabilities.
- 1.17 A central tenet of the draft London Plan is to make best use of land given the scale of housing, economic and other needs, the scarcity of land and the imperatives around environmental stewardship. The Optimisation Framework sets out what this means for densities in different parts of London, linked to transport connectivity. A key focus of this is promoting mid-rise development across many parts of the city. Cognisant of the constraints on taller buildings highlighted in this report (particularly those over 6 storeys in many areas of outer London) the framework should help to support viable forms of development that still optimise sites.

Overview of key Draft London Plan policies tested in the LPVS

- 1.18 The Draft London Plan's affordable housing policy sets out three locational bands each with affordable housing threshold requirements. For private land, Locational Band A sets out a 35% affordable housing threshold, Locational Band B sets out a 25% affordable housing threshold and Locational Band C sets out a 20% affordable housing threshold.
- 1.19 The viability testing of residential development typologies has been conducted in six value band areas across London to account for spatial variance in sales values across London. 35% affordable housing has been tested as a baseline in Value Bands A, B and C; and 35%, 25% and 20% affordable housing has been tested in Value Bands D, E and F. An affordable housing tenure split of 60% social rent and 40% intermediate housing has been tested within the affordable housing thresholds. Key Worker Living Rent (KWLR) has been tested as the intermediate tenure in Value Bands A, B and C, and London Shared Ownership has been principally tested in Value Bands D, E and F.

- 1.20 The study's greenbelt residential development typologies have been modelled on the basis of 50% affordable housing in line with the policies of the Draft London Plan, the NPPF and the Draft NPPF. A tenure split of 50% social rent and 50% intermediate housing has been adopted for testing purposes. The study's greenbelt residential development typologies have been modelled using appraisal inputs pertaining to Value Band areas D, E and F which together broadly reflect the expected sales value geography of greenbelt locations.
- 1.21 The LPVS further tests a number of Draft London Plan policies on a cumulative basis including housing accessibility, whilst also including appropriate allowances to account for other planning policy requirements.
- 1.22 The LPVS has appraised the viability of affordable workspace in relation to both office schemes and industrial uses.
- 1.23 In relation to office developments (Class E (g)(i) and Class E(g)(ii)), onsite affordable workspace requirements based upon 10% of floorspace at discounts to open market rent of 25%, 50% and 75% into perpetuity and also for a term of 15 years have been tested. The equivalent financial contribution for each affordable workspace policy permutation has also been tested.
- 1.24 Affordable workspace financial contributions based upon 10% of floorspace at discounts to open market rent of 25%, 50% and 75% into perpetuity has been tested in relation to light industrial (Class E(g)(iii)) and B2 and B8 uses.

Summary of findings and conclusions of phase 1 of the LPVS

A summary of the findings and conclusions of phase 1 of the LPVS is set out below.

Residential development

- 1.25 It is important to note that the study's value bands form a means of representing six different sales value areas for the purposes of area-wide viability testing. While their spatial mapping provides a useful indication of broad market conditions across London, there will inevitably be variation within each value band at a more localised level. Individual sites or developments within lower value areas may achieve sales values materially above the wider area average. The viability testing results should be interpreted as being indicative, rather than treated as showing definitive constraints on the development potential in those areas.
- 1.26 The viability testing conducted in Value Bands A, B and C indicates that 35% affordable housing should be generally viable for major residential developments where this is supported by grant funding and where indicative borough CIL relief is modelled. The modelling of Borough CIL relief forms a sensitivity in the testing and is representative of a

moderation in CIL levels or a CIL in-kind approach. Whilst higher density developments are impacted by higher construction costs in these locations, the higher quantum of affordable housing units attracting grant funding coupled with some moderations to Borough CIL (given the higher Borough CIL rates in these locations) is shown to support the viability of 35% affordable housing in most cases.

- 1.27 The results of the viability testing show a more challenging viability picture in Outer London, with viability reducing as schemes go above 6 storeys in Value Band D. This is a product of taller development attracting higher construction costs which consume a proportionally greater amount of developer value due to the lower sales values in these locations. An analysis of the testing results shows Value Band D becoming a spatial ‘tipping point’ where the viability of schemes begins to reduce where 6 storeys is exceeded.
- 1.28 As set out above, the Draft London Plan will promote mid-rise development including via the Optimisation Framework, and this reflects the 6 storey tipping point for those locations / contexts most impacted. It is also important to note that even during stronger periods of the economic cycle, many infill developments would generally ‘top out’ at between 5-6 storeys in both inner and outer London.
- 1.29 The results show Value Band F as being the spatial area with the most challenging viability due to it having the lowest sales values of the six value bands. The results of the testing do not currently show any viable scenarios in the Value Band F area. However, it is clear that very low or nil affordable housing requirements for this location would not in practice support wider build-out and housing delivery (nor do anything to help deliver the affordable homes that London needs). Analysis of affordable housing delivery undertaken by the GLA shows that in practice schemes with higher levels of affordable housing are coming forward in Value Band F locations and of the value band locations the correlation between the levels of affordable housing and delivery is strongest in the Value Band F location. A 20% affordable housing requirement would enable a critical conduit to be embedded within developments which could attract grant funding and other public subsidy interventions to support delivery.
- 1.30 The viability analysis strongly points to the need for higher grant rates and direct strategic interventions to support higher density development on larger strategic sites in Outer London. The modelling of public sector-led or RP-led delivery models indicates that these interventions, when coupled with other levers e.g. Mayoral Development Order or Local Development Order generated masterplan consents, have the ability to upscale affordable housing delivery on large strategic sites where viability conditions are more challenging.

- 1.31 Viability testing undertaken in Value Bands C and D indicate the potential for 40-50% affordable housing being viable on low existing use value public land sites in Inner London areas where this is supported by measures such as grant funding, Borough CIL relief or a CIL in-kind approach. The use of public sector-led or RP delivery models would further help support the delivery of such schemes in these locations.

Build to Rent

- 1.32 Build to Rent (BtR) is likely to need to play an important role in housing delivery in London as it constitutes a form of tenure diversification that can tap into broader market demand thereby helping to overcome the absorption rates issues faced by build for sale market housing. However, currently the viability of BTR development is shown to be challenging in all tested value band areas. BTR development generally commands lower development values in comparison with build for sale development, and generally takes the form of taller / higher density development which attracts higher construction costs. BTR development also includes residential amenity floorspace which can result in lower net to gross floorspace optimisation. It is recognised however that BTR can play an important role on very large sites in terms of establishing a market and assisting with placemaking. Further viability analysis, sensitivity analysis and sense-checking in respect to BTR development will be undertaken in Phase 2 of the LPVS.

Smaller residential developments

- 1.33 In respect to smaller scale residential developments (comprising 10-35 units), the Draft London Plan sets a lower 20% affordable housing threshold outside of Green Belt (and 50% on Green Belt). The LPVS has tested 35% and 20% affordable at an affordable housing tenure split of 60% social rent and 40% intermediate housing for residential development typologies at this kind of scale.
- 1.34 The results of the viability testing show these residential development typologies to be generally viable when modelling 35% and 20% affordable housing in Value Bands A, B and C. However, the viability of the smaller scale residential development typologies in Value Band D is more mixed; and testing in Value Band E produces only limited viable scenarios at 20% affordable housing. The viability testing in Value Band F currently does not produce any viable scenarios.
- 1.35 The Draft London Plan sets a lower 20% affordable housing threshold for these developments, compared with the current plan taking account of viability challenges and with the intention of supporting smaller and medium sized developers, whilst also recognising that in practice these types of development can make an important contribution

towards the delivery of affordable housing. The Draft London Plan also provides for flexibility for these schemes to provide the equivalent of 20% affordable housing as an in-lieu financial contribution.

Green Belt

- 1.36 The viability analysis highlights overall that current ('Day one') residential development values alone cannot viably support NPPF / Draft London Plan policy requirements, as well as meeting the costs of enabling infrastructure and transport improvements. Development value uplifts needed to support viability in greenbelt locations need to be synthesised over time through phased strategic placemaking and transport interventions. The viability analysis shows the importance of grant funding and borough CIL in-kind approaches to support viability of meeting policy requirements at higher densities with corresponding higher levels of grant funding required to support viability in lower value greenbelt locations.
- 1.37 The testing indicates that viability reduces as building heights and densities are increased, particularly beyond 6 storeys. In both higher and lower value areas (where viability is more constrained), densities can be achieved through a more compact and compressed urban form utilising 5-6 storey building typologies supported by higher proportions of terraced townhouses. Increasing residential density and maintaining a 50% affordable housing requirement allows for a greater proportion of housing units to be supported by public subsidy interventions thus enabling viability and deliverability.
- 1.38 The viability testing indicates that 50% affordable housing at higher grant rates and adopting a Borough CIL in-kind approach should be generally viable in Value Band D locations, but viability is significantly more constrained in Value Band E, and no scenarios are currently shown to be viable in Value Band F. However, the testing of a public sector-led delivery model for delivering strategic greenbelt release in the Value Band E area, which draws upon public subsidy interventions and use of an MDO or LDO style intervention, shows a comfortably viable scheme at 50% affordable housing.
- 1.39 The overarching key finding of the viability analysis is that public sector-led delivery models will be integral in supporting Plan-led strategic greenbelt release, particularly in lower value areas of the greenbelt.

Purpose-built student accommodation and purpose-built shared living

- 1.40 The viability testing of purpose-built student accommodation (PBSA) and purpose-built shared living (PBSL) development typologies shows that these developments have the

strongest viability profiles in Value Bands B and C, and can be used to viably support the delivery of 35% onsite C3 Use affordable housing in these locations.

- 1.41 The testing of PBSA typologies indicates that these are generally capable of viably delivering levels of affordable student accommodation in line with the locational area thresholds in the Draft London Plan although their viability is constrained in Outer London locations. Additional affordable housing financial contributions have also been tested for these schemes. These are shown to be viable in Value Band B and to a more limited extent in Value Band C, but not currently beyond this.
- 1.42 The testing of the study's PBSL development typologies, which models financial contributions towards affordable housing, shows the strongest viability profiles in Value Bands B and C where PBSL typically comes forward, and reduced viability in value bands covering Outer London. Further viability testing in respect to PBSL development typologies will be undertaken in Phase 2 of the LPVS to inform the appropriate level of affordable housing financial contribution requirements to be sought from these schemes.

Affordable workspace

- 1.43 The viability testing of office development typologies indicates that affordable workspace requirements should generally be viable in the CAZ. The viability analysis indicates that office developments are not currently widely viable in Outer London in the current climate.
- 1.44 There is a significant strategic need for the delivery of new office floorspace in London to drive economic growth within a variety of sectors to support the London Growth Plan as well as the Draft London Plan.
- 1.45 The findings point to the critical role of the CAZ and CAZ fringe areas where office development values are strongest and can support viability. These locations will need to continue to do significant 'heavy lifting' in terms of contribution to the office floorspace pipeline. This includes the reservoir of existing secondary office floorspace within the CAZ and CAZ fringe locations which can play a significant role in delivering best in class office floorspace through refurbishment, retrofit and comprehensive redevelopment.
- 1.46 In the context of viability, boroughs may need to consider lower level financial contributions towards affordable workspace as a baseline policy position and ensure that these policies are informed by robust viability testing at local level. Requirements for onsite affordable workspace should also be informed by robust local viability testing to ensure deliverable policies.
- 1.47 The viability testing of affordable workspace contributions from industrial uses was conducted in Value Bands D, E and F. The results of the testing show light industrial

development currently as being unviable due to the associated development costs significantly exceeding development values. Meanwhile, the testing of B2/B8 use development typologies shows that industrial intensification, alongside financial contributions towards affordable workspace, can be viably achieved on existing secondary industrial land in Value Bands D and E, but not currently in Value Band F. The results of the testing indicate that B2/B8 use development will be viable in greenbelt locations whilst also being capable of viably providing financial contributions towards affordable workspace.

Other key planning policy requirements

- 1.48 The LPVS tests a number of additional planning policy requirements set out in the Draft London Plan and includes appropriate allowances to account for these. The addition of contingency and abnormal cost allowances ensures that an additional buffer is integrated into the viability testing. Policy requirements focused on accessible housing, employment and training and urban greening factor are established policies, and are not considered to present any viability difficulties.
- 1.49 While the costs implications for some of the sustainability policies, including the energy standards and whole life carbon have been considered in their supporting evidence base documents and during policy development, they have not yet been specifically tested in phase 1 of the viability study.
- 1.50 In terms of other policy areas, the testing shows that whilst financial contributions towards offsite Sustainable Urban Drainage Systems (SuDS) do not form significant development costs, the addition of these costs is detrimental in cases where viability is already significantly constrained. Crediting the costs of off-site SuDS contributions against Borough CIL liability through a CIL in-kind approach could be considered as an option where viability is constrained.
- 1.51 Further analysis in respect of these policies will be conducted as part of Phase 2 of the viability study.

Key issues and themes identified from the LPVS Phase 1 viability analysis

- 1.52 This study's analysis of development viability across London shows that the viability of taller buildings has reduced, and this is particularly the case in Outer London where higher development costs consume a proportionally higher amount of scheme development value due to the lower sales values in these locations.
- 1.53 It has been previously observed that tall buildings possess a 'diminishing returns curve' or certain 'pinch points' whereby the cost of increasing building heights begins to outpace the value added by increasing storey heights (and adding new housing units) in mid and lower

value areas. The results of the study's viability analysis indicates that building above 6 storeys in Outer London is challenging in the current climate.

- 1.54 The reduction in viability arising due to the impact of higher development costs has served to reduce the capacity for development value cross-subsidy to support affordable housing delivery; therefore, increased levels of grant funding are required to help address the gap. This is particularly the case for higher density development which require higher grant rates to support scheme viability. This grant funding or low cost loans can support the cashflow of developments. Maintaining affordable housing thresholds as a planning policy instrument serves to embed a 'critical conduit' within schemes to help overcome absorption constraints, improve cashflow and become recipients of public subsidy measures that support viability and build out.
- 1.55 Demand-side measures to support increased sales rates would also assist the viability of higher density residential development. There is also a need to promote a greater tenure diversification within strategic sites to embed a greater resilience in the housing delivery pipeline thereby supporting build out and delivery over different economic cycles.

Further considerations arising from Phase 1 of the LPVS:

Strategic use of public subsidy and maximising development value cross-subsidy

- 1.56 In the current challenging delivery climate, the viability analysis points to the benefits and need to front-load affordable housing provision in early development phases, supported by public sector interventions including grant funding and low interest loans, to support project cashflow. PBSA and PBSL can also assist with supporting development value cross-subsidy in initial phases, and together with Build to Rent, can also contribute to placemaking and help to overcome current market absorption rates.
- 1.57 Developers should seek early engagement with RPs to understand the availability of public subsidy to support delivery. Alongside early engagement in respect to available forms of public subsidy, RPs and developers should undertake 'day one' engagement on strategic development sites to ensure a joined-up approach to affordable housing is followed. Affordable housing delivery should be maximised in order to meet housing need, support delivery and achieve faster build out rates.
- 1.58 In order to make efficient use of public subsidy in supporting affordable housing delivery, it is also important that development value cross-subsidy is maximised alongside the use of grant. Whilst it is acknowledged that the capacity for development value cross-subsidy to support affordable housing delivery is currently more constrained due to viability pressures,

it is imperative that where available, and when market conditions improve, it is used effectively to play a larger role in the delivery of affordable housing, allowing for public subsidy to be used efficiently. Key to realising this key objective is the need for site-specific viability assessments to be objective and realistic, as required by national guidance.

Work with central government and other partners on grant funding availability

- 1.59 The higher build costs associated with taller / higher density residential development has served to reduce the capacity of development value cross-subsidy for affordable housing and as such higher levels of grant funding are needed to bridge the gap.
- 1.60 In this context, consideration could be given to developing new affordable housing benchmark grant rates which are calibrated to better account for the viability profile of high density residential development.
- 1.61 Further viability analysis will be required, taking into account a range of densities (starting from a 6-storey baseline) and open market sales values. This will be considered further as part of Phase 2 of the LPVS and in light of consultation feedback.

Other public sector interventions

- 1.62 The viability analysis contained within this study shows the need for public sector-led delivery models and initiatives to be employed to help de-risk development and promote a greater tenure diversification.
- 1.63 Direct strategic interventions have a key role to play to support higher density development on larger strategic sites in Outer London in particular. The modelling of public sector-led or RP-led delivery models indicates that these interventions, coupled with other levers such as Mayoral Development Order or Local Development Order generated masterplan consents, have the ability to upscale affordable housing delivery on large strategic sites where viability conditions are more challenging.
- 1.64 It is considered that the use of public sector-led delivery models will be critical to unlocking housing delivery on strategic sites in the early years of the new London Plan, and in later years play a major role in further driving housing delivery and providing the types of housing that meets Londoner's needs. Public-sector led delivery models and interventions offer the opportunity to de-risk development through public sector stewardship whilst leveraging the expertise of developers and Registered Providers.
- 1.65 This kind of public sector oversight and involvement in plan-making, place-making and masterplanning, alongside transport investment and improvements will be critical to the success of Plan-led strategic greenbelt release and the large-scale housing delivery on strategic sites.

Demand side initiatives

- 1.66 It is clear that upscaling affordable housing delivery and promoting a greater tenure diversity in new developments is critical for embedding a greater resilience in the housing land supply pipeline through supporting absorption rates and promoting faster build out rates.
- 1.67 Demand-side initiatives could have an important role to play. If the government is minded to introduce any such measures in the short to medium term in London, it is recommended that these are deployed strategically with a particular focus on Outer London where housing affordability can be more easily improved.

Promoting scheme optimisation

- 1.68 The viability analysis also points to the need to enhance capacity to optimise scheme net to gross floorspace ratios which can be achieved through allowing some greater flexibility in respect to the amount of internalised cycle storage, the number of units per core and dual aspect, as well as flexibility around unit type mix to take account of location specific market demand dynamics.
- 1.69 This is particularly important for higher density development to allow for optimised net to gross ratio floorspace efficiency to support scheme viability; however, this should not compromise housing design standards and quality. As well as liveability for Londoners, achieving high housing design standards adds significant value to sales values which supports wider scheme viability. It is understood that developers alongside their appointed consultants are focusing on design solutions to maximise net to gross efficiencies.

Potential for focused review of Borough CIL Charging Schedules

- 1.70 Given the context, it might be appropriate for London Boroughs to give due consideration to reviewing their adopted CIL Charging Schedules in respect to C3 Use development. This could look at rates and amendments that could more easily take account of the viability profiles and characteristics of higher density residential development. For example, a tapering scale of CIL rates according to the amount of GIA floorspace above a storey height threshold could support larger scale housing delivery. Furthermore, given the changes in the wider context and the introduction of the Building Safety Levy, current BCIL rates may not take account of the changed cost context.
- 1.71 It is recommended that London Boroughs seek to include provisions for 'CIL in-kind' delivery for strategic sites which will provide onsite infrastructure. LPAs could also investigate the potential for the adoption of tailored site-specific CIL rates for C3 Use residential development and other uses such as PBSA and PBSL which take into account

necessary onsite infrastructure, and which together support the viability of large strategic sites which are strategically significant to helping to deliver the Development Plan. Alongside this, other forms of development may have scope to contribute more through updated CIL rates, ensuring that growing uses such as data centres support local communities.

Conclusion

- 1.72 Whilst the LPVS as an evidence base document is being undertaken at a certain point in time in which macro-economic conditions have created a very challenging housing delivery climate, the Draft London Plan is a longer-term spatial development strategy which will span different economic cycles and needs to take a longer-term pan-London strategic focus. It also reflects that the viability landscape of London will evolve as market conditions change, and with the delivery of new development, place-making and new transport initiatives.
- 1.73 The Draft London Plan's affordable housing thresholds and the spatial assignment of these are considered to be sound for strategic plan-making purposes.
- 1.74 The viability testing of PBSA typologies indicates that these are generally capable of viably delivering levels of affordable student accommodation in line with the locational area although their viability is somewhat constrained in Outer London locations. The viability testing of PBSL typologies indicates stronger viability profiles in inner London locations with viability constrained in Outer London locations; however, it would be expected that these types of development would generally only come forward in well-connected accessible locations. The testing indicates that PBSA and PBSL can provide threshold compliant levels of conventional affordable housing in higher value areas reflecting patterns of development recently seen through the development management process.
- 1.75 A range of affordable workspace policy permutations have been assessed for office developments with the results indicating that these should be generally viable in the CAZ, but more challenging to deliver in other areas. Low level financial contributions towards workspace contributions from industrial schemes (B2 and B8 use) should be viable in the majority of cases. It will be the role of Borough Local Plans, and their supporting area-wide viability assessment, to inform affordable workspace policies.
- 1.76 Appropriate allowances have been included in the viability testing to account for a range of other Draft London planning policy requirements, but further testing will be carried out in a number of areas as part of phase 2 of the LPVS.

- 1.77 Overall, the policies of the Draft London Plan are considered to be appropriately formulated to address key strategic planning matters, and these should not place any significant viability burdens which would be detrimental to the delivery of the Plan. The retention of the 'Viability Tested Route' in the Draft London Plan also ensures that schemes with viability constraints can access this route to enable decision-makers to assess the maximum viable level of planning policy requirements which allows for a deliverable scheme, alongside other considerations.

2. INTRODUCTION

Study Objective

- 2.1 The objective of the London Plan Viability Study (LPVS) is to inform the development of the new London Plan through analysing the viability implications of its planning policies. The LPVS has also been used to help inform the assumptions underpinning the London SHLAA. While the LPVS does not need to demonstrate that every site in London will be viable under the policies of the new London Plan, it should provide proportionate evidence for a high-level assurance that the tested emerging policies of the new Draft London Plan are viable and deliverable.
- 2.2 The LPVS will serve as an important evidence base document supporting the new London Plan through the examination process up to the point of formal adoption.
- 2.3 This report sets out the analysis and findings of Phase 1 of the LPVS. Following the consultation process of the new Draft London Plan, GLA officers will undertake Phase 2 of the LPVS which will consider received consultation responses and undertake any necessary amendments to appraisal input assumptions to account for identified market movements that have occurred since the production of this phase 1 report.
- 2.4 There are some emerging policy areas of the Draft London Plan where greater information is needed to fully understand the viability impacts and as such these will be assessed in detail as part of phase 2 of the LPVS. In addition, phase 2 of the LPVS will review the viability of data centres, hotels and the forward funding of residential investment typologies which are all areas identified at Phase 1 as requiring further information and evidence in order to inform conclusions. Phase 2 of the LPVS will also undertake additional geo-spatial analysis drawing upon the GLA's value bands GIS model to help consider the impacts of future proposed transport interventions and large-scale regeneration on viability geographies as part of longer-term strategic analysis.

National Planning Policy and Guidance

- 2.5 The National Planning Policy Framework (NPPF) sets out national policy relating to achieving sustainable development, including plan making. At the time of writing the latest adopted version of the NPPF is dated December 2024 and government has also undertaken a consultation of a revised version dated December 2025.

- 2.6 Both versions have been considered as part of the drafting of this study. In addition, more detailed guidance on viability is set out in the National Planning Practice Guidance (NPPG). Key aspects of these documents are outlined below.¹

NPPF 2024

Sustainable development

- 2.7 Paragraph 7 of the NPPF states that the purpose of the planning system is to contribute to the achievement of sustainable development, including the provision of homes, commercial development and supporting infrastructure in a sustainable manner. At a high level, the objective of sustainable development can be summarised as meeting the needs of the present without compromising the ability of future generations to meet their own needs.
- 2.8 Achieving sustainable development means that the planning system has three overarching objectives which are economic, social and environmental. These should be delivered through the preparation and implementation of plans and the applications of policies in the framework.
- 2.9 Plans and decisions should apply a presumption in favour of sustainable development. For plan-making this means that all plans should promote a sustainable pattern of development that seeks to meet the development needs of their area and strategic policies should, as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met within neighbouring areas.²

Plan-making

- 2.10 Paragraph 16 states that the planning system should be genuinely plan-led, contribute to the achievement of sustainable development, be positively prepared in a way that is aspirational but deliverable and shaped by early, proportionate and effective engagement.

Strategic policies

- 2.11 Paragraph 20 states that strategic policies should set out an overall strategy for the pattern, scale and design quality of places and make sufficient provision for homes (including affordable housing), employment, retail, leisure, and other commercial development; infrastructure for transport and energy (amongst others); community facilities (such as health, education, and cultural infrastructure); and conservation and enhancement of the natural, built and historic environment.

¹ Consideration has also been given to the Mayor's guidance relating to viability in London and professional standards on viability in planning published by the Royal Institution of Chartered Surveyors (RICS).

² Various caveats apply – see paragraph 11, Part D i and ii.

- 2.12 Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to settlements form part of the strategy for the area, policies should be set with a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.
- 2.13 Policies should be underpinned by relevant and up-to-date evidence, which should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals.

Development Contributions

- 2.14 Paragraph 35 states that 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.

Planning obligations

- 2.15 Paragraph 59 relates to decision making, but also notes that viability assessments, including those relating to plan-making, should reflect the recommended approach in national planning practice guidance, including standardised inputs, and should be made publicly available.

Delivering a sufficient supply of homes

- 2.16 Paragraph 61 states that to support the Government's objective of significantly boosting the supply of homes, it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay. The overall aim should be to meet an area's identified housing need, including with an appropriate mix of housing types for the local community.
- 2.17 The size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies. These groups should include (but are not limited to) those who require affordable housing (including Social Rent); families with children; looked after children; older people (including those who require retirement housing, housing with-care and care homes); students; people with disabilities; service families; travellers; people who rent their homes and people wishing to commission or build their own homes.

- 2.18 Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required (including the minimum proportion of Social Rent homes required), and expect it to be met on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.19 Where major development involving the provision of housing is proposed, planning policies and decisions should expect that the mix of affordable housing required meets identified local needs, across Social Rent, other affordable housing for rent and affordable home ownership tenures.³

Golden rules for Green Belt development

- 2.20 Paragraph 67 states that as part of the 'Golden Rules' for Green Belt development set out in paragraphs 156-157 of the NPPF, specific affordable housing requirements should be set for major development involving the provision of housing, either on land which is proposed to be released from the Green Belt or which may be permitted on land within the Green Belt. This requirement should be set at a higher level than that which would otherwise apply to land which is not within or proposed to be released from the Green Belt (15 percentage points above the highest existing affordable housing requirement which would otherwise apply); and require at least 50% of the housing to be affordable, unless this would make the development of these sites unviable.
- 2.21 Necessary improvements to local or national infrastructure and the provision of new, or improvements to existing, green spaces that are accessible to the public are also required as part of the Golden Rules.

Mixed tenure sites

- 2.22 Paragraph 71 states that mixed tenure sites can provide a range of benefits, including creating diverse communities and supporting timely build out rates, and local planning authorities should support their development through their policies and decisions (although this should not preclude schemes that are mainly, or entirely, for Social Rent or other affordable housing tenures from being supported). Mixed tenure sites can include a mixture of ownership and rental tenures, including Social Rent, other rented affordable housing and build to rent, as well as housing designed for specific groups such as older people's housing and student accommodation, and plots sold for custom or self-build.

³ The requirement to deliver a minimum of 25% of affordable housing as First Homes, as set out in the 'Affordable Homes Update' Written Ministerial Statement dated 24 May 2021, no longer applies.

Identifying land for homes

- 2.23 Paragraph 72 states that strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability.

Small and medium sized sites

- 2.24 Paragraph 73 recognises that small and medium sized sites can make an important contribution to meeting the housing requirement of an area, are essential for Small and Medium Enterprise housebuilders to deliver new homes, and are often built-out relatively quickly.

Larger scale development

- 2.25 Paragraph 77 sets out that strategic policy-making authorities should identify suitable locations for larger scale development where this can help to meet identified needs in a sustainable way. In doing so, they should consider various factors including existing or planned investment in infrastructure; sufficient access to services and employment opportunities; clear expectations for the quality of the places; likely rates of delivery, and identify opportunities for supporting rapid implementation (such as through joint ventures or locally-led development corporations).

Other

- 2.26 The NPPF also sets out a range of policies relating to: building a strong and competitive economy, including taking into account local business needs (section 6), promoting healthy and safe communities, including through high quality public space, reducing health inequalities, the provision of social, recreational and cultural facilities, new expanded or upgraded public infrastructure and the provision of open space and recreation (section 8), the promotion of sustainable transport (section 9), making effective use of land (section 11), achieving well-designed places (section 12), meeting the challenge of climate change (section 14), and conserving the enhancing the natural environment (Section 15) and historic environment (section 16).

Draft NPPF 2025

- 2.27 Government is currently considering responses to the Draft NPPF published in December 2025. This proposes to include a number of principles that are already set in PPG, including that:

- Policy requirements should be set at a level that allows for planned types of development and sites to be deliverable, and be clear so that they can be accurately accounted for in the price paid for land (policy PM12: Development Contributions).
- Plans should set out the circumstances in which review mechanisms will be used for development proposals where contributions are proposed to be reduced below the requirements set out in plan policies in order to maximise policy compliance (Policy PM12, part 4).

- 2.28 The draft NPPF also: sets out examples of limited circumstances in which viability to inform decision-making is justified; confirms that the price paid for land should not be a justification for failing to accord with relevant policies in the plan and that application stage assessments should be based on and refer back to the viability assessment that informed the relevant development plan policies.
- 2.29 Policy GB8 relating to the Green Belt Golden Rules reiterates requirements in the 2024 NPPF for affordable housing that reflects development plan policy requirements or until these are in place, a contribution which is 15 percentage points above the highest existing requirement that would otherwise apply, subject to a cap of 50%. The policy proposes that site-specific viability assessment may be justified to allow contributions expected to be adjusted where a proposal is a) on previously developed land; b) for a multi-phase, strategic site; or c) for a development model which is of a wholly different type to that assumed in the viability assessment that informed the development plan. Government has also consulted on introducing a minimum floor for affordable housing provision in viability tested green belt schemes.

Viability NPPG⁴

Viability and plan making

- 2.30 The NPPG states that plans should set out the contributions expected from development, including the levels and types of affordable housing provision required, and other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). This should include the minimum proportion of Social Rent homes required.
- 2.31 These policy requirements should be informed by evidence of infrastructure and affordable housing need, including the need for those who require Social Rent, and a proportionate

⁴ As set out above, a number of aspects of national guidance in the NPPG are now set out in the current and Draft NPPF, and are therefore not repeated in this section.

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. Different requirements may be set for different types or location of site or types of development.

Deliverable policy requirements

- 2.32 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.

A typology approach

- 2.33 Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage based on the type of sites that are likely to come forward for development over the plan period. Sites can be grouped by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies.

Strategic sites

- 2.34 The NPPG indicates that it is important to consider the specific circumstances of strategic sites that are critical to delivering the strategic priorities of the plan. The London Plan is as a spatial development strategy covering a large geographic area, and as a result cannot allocate specific sites; however, the LPVS uses a typology approach in line with NPPG which includes the assessment of sites of a strategic scale which were informed by a review of strategic sites within Borough site allocations.

Standardised inputs

- 2.35 The NPPG includes guidance on standardised inputs to viability assessment and states that this should be proportionate, simple, transparent and publicly available. 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.

How to read this document

- 2.36 The report provides an introduction and explanation of the methodology for the London Plan Viability Study (LPVS). The viability testing of development typologies to assess the emerging policies of the new Draft London Plan is undertaken for each of the LPVS's six value band areas. Each value band has a dedicated chapter in the report providing an overview of the appraisal inputs and typologies pertaining to the value band alongside the analysis and findings. Tables containing testing results are outlined in Annex 1.
- 2.37 The contents of this report focus upon the viability analysis of residential (C3 Use), Purpose-Built Student Accommodation (PBSA) and Purpose-Built Shared Living (PBSL) development typologies. Viability analysis for office and industrial typologies is set out in the report's annex documents. Supporting technical information, research and evidence is set out within supporting annexes to the report which are intended to be read alongside this report and together form the wider LPVS.

3. MARKET AND ECONOMIC OVERVIEW

Macro-economic outlook

- 3.1 The UK and global economies have faced significant economic headwinds in recent years including the impact of the COVID-19 pandemic, the Ukraine War and ongoing conflict in the Middle East including the Iran war which is disrupting energy and goods supplies as a result of the closure of the Strait of Hormuz.
- 3.2 Following a long period of ultra-low interest rates and monetary policy in the form of quantitative easing designed to encourage borrowing and spending in the midst of the significant increase in inflation following the COVID-19 pandemic and the Ukraine War, the Bank of England began to increase the Base Rate in January 2022. This began a process of quantitative tightening, the inverse of quantitative easing, to cool the UK economy and combat inflation.
- 3.3 The Bank of England's Base Rate topped out at 5.25% between Q3 2023 and Q3 2024, and has been on a downward trajectory since although some economists and market analysts are predicting that the Base Rate will increase in response to the inflation spike caused by the ongoing Strait of Hormuz disruption. In early May 2026, Deloitte reported that financial markets have already priced in a forecast of a 50 basis points hike to the Base Rate.⁵
- 3.4 However, the Bank of England's governor, Andrew Bailey, suggested that caution should be given to the assumption that the Bank of England will raise the Base Rate.
- 3.5 At the time of the production of this report, the Bank of England's Base Rate stands at 3.75% and the Bank of England reports a current inflation rate of 2.8% against their 2% target.
- 3.6 UK gilt yields have also increased in recent weeks as markets have become increasingly cautious in respect to an impending inflationary shock, scale of government debt and increased political uncertainty.
- 3.7 The Office for National Statistics (ONS) has reported that UK real Gross Domestic Product (GDP) is estimated to have increased by 0.6% in the first quarter of 2026 following revised growth of 0.2% in Quarter 4 (October to December) 2025. The service sector provided the largest contribution to GDP which saw growth of 0.8%.⁶
- 3.8 KPMG are currently expecting UK GDP growth to taper down from the 1.4% achieved in 2025 to 0.8% in 2026 as a result of the energy price shock caused by the disruption to the

⁵[Deloitte \(May 2026\) - UK interest rate outlook](#)

⁶[Office for National Statistics \(May 2026\) - GDP first quarterly estimate, UK: January to March 2026](#)

Strait of Hormuz serving to increase inflation, as well as consequential impacts on spending and potential for further tightening by the Bank of England.⁷

- 3.9 KPMG observe that their forecasted GDP growth rate for the UK is similar to the Eurozone average with Eurozone GDP forecasted to grow by 0.9% in 2026 and by 1.2% in 2027. KPMG report that they expect most European economies to avoid a recession in 2026 as a result of strong labour markets and continued consumer spending supporting domestic demand.
- 3.10 The British Chambers of Commerce (BCC) are currently forecasting UK GDP growth of 0.9% in 2026, 1% in 2027 and 1.3% in 2028. The BCC considers that growth will be subdued in both 2026 and 2027. The BCC is currently estimating that UK inflation will peak at 3.8% by the end of 2026, but easing to 2.3% by Q4 2027.⁸
- 3.11 In June 2026, it was reported that the UK economy saw a 0.1% contraction in April as the impact of the ongoing Strait of Hormuz disruption weighed on the economy. On 18 June 2026, the Bank of England elected to hold the Base Rate at 3.75% for a fourth consecutive time. This followed the US Federal Reserve decision to hold their rate at a range of 3.5% to 3.75%; and the European Central Bank's decision to increase their rate by 0.25% to 2.25% with their decision-making influenced by the impact of the ongoing Strait of Hormuz disruption on Eurozone inflation which has reached the highest level in 3 years.
- 3.12 In respect to the economic performance of London, GLA City Intelligence in their 'State of London' report for 2026 advise that London's post-pandemic recovery saw London's real gross value added (GVA) grow 7.7% in 2021 and 8.1% in 2022, but growth has since settled. GLA City Intelligence advise that the most recently available ONS data showed London's real GVA grew by only 0.3% in 2023, compared to 0.4% for the UK as a whole. Estimates by GLA Economics suggest a modest strengthening of economic growth in London over the last two years, with real GVA expected to have risen by 1.1% in 2024 and 1.9% in 2025.
- 3.13 In their report, GLA City Intelligence point to a slower recovery in London following the Covid-19 pandemic when compared to the UK overall which they attribute to the severity of the Covid-19 pandemic shock on London's economy. GLA City Intelligence further point to London being hit harder due to its concentration of sectors which had more exposure to the impacts of national lockdowns and mobility restrictions, such as hospitality, retail, tourism,

⁷ [KPMG \(May 2026\) UK GDP forecast to grow by 0.8% in 2026](#)

⁸ [British Chambers of Commerce \(June 2026\) - BCC Economic Forecast](#)

and other face to face services, as well London's greater reliance upon international travel and a commuting workforce.

- 3.14 However, London remains the most productive region in the UK reflecting its position as the principal engine of the UK economy. London creates just under a fifth of all national workforce jobs and offers the highest nominal wages in the country. London attracts more foreign direct investment than many other global cities and is internationally competitive in an array of established sectors such as arts and culture, tourism, education, professional services, financial services and fintech, tech and emerging sectors such as quantum computing, artificial intelligence and biotech and life sciences.

Housing delivery and sales rates in London

- 3.15 It has been well documented that new housing starts have declined in London in recent years as affordability pressures caused by the cost of living crises and the higher interest rate environment as well as an absence of first time buyer support initiatives has significantly negatively impacted upon purchaser appetite.
- 3.16 Molior's quarterly report on Residential Development in London identifies c. 2,100 private starts in Q1 2026⁹ for schemes containing over 20 market units, which is consistent with the downwards trend in recent years where construction starts have slowed down significantly from 15,466 private starts in 2022/23 to 6,325 in 2025/26. According to Molior's data, c. 36,750 private homes in schemes with 20 or more market homes are currently under construction, amongst which 26,250 are expected to complete by the end of 2027. This resembles a significant reduction in the average residential development construction pipeline, down from 60,000 – 65,000 between 2015 and 2020.
- 3.17 In their UK Residential Forecasts Q1 2026, CBRE comment that new-build sales in London, excluding Build to Rent, fell to 6,300 in 2025, the lowest figure since 2009.¹⁰ CBRE consider that the increasing level of new-build housing stock in London will put pressure upon developers to sell homes, but that the lack of a significant demand-side measure will inhibit a significant recovery in sales volumes. CBRE comment that new-build sales volumes in London are expected to increase slightly to 7,200 home sales in 2026. Molior data on sales rates reflects a similar picture. New-build sales in schemes with 20+ private units saw a slight uptick to 2,838 homes in Q1 2026, however it is still considered to be insufficient to support a sustained uplift in starts.

⁹ [Molior \(April 2026\) - Residential Development In London](#)

¹⁰ [CBRE \(March 2026\) - UK Residential Forecasts Q1 2026](#)

- 3.18 Consumer sentiment seems to have also been affected by concerns around the high and increasing costs of service charges for leasehold properties as well as the quality of new-build homes. It is considered that greater transparency of service charge costs and focused reforms are required to resolve the current challenges around service charges.
- 3.19 One potential option which should be given consideration would be for a greater proportion of ground floor non-residential/commercial uses within high density residential mixed-use developments to be retained by the developer with the management agency for the estate gaining the headleases. Commercial rents paid by the occupants could be ringfenced and could in some cases provide a strong contribution towards meeting service charge costs potentially enabling residential leaseholder service charges to be reduced. This ‘internalised’ model drawing upon resident and non-residential footfall and expenditure and income generating floorspace in high density residential-led mixed use developments could also go some way in addressing the current issue of high vacancy rates of ground floor commercial units which in some cases are left in shell and core form and non-income generating. It is however acknowledged that there would be a viability impact associated with the retention rather than sale of income generating floorspace, but such an approach could exclude higher value commercial units benefiting from a stronger covenant strength such as supermarkets which could be pre-let and sold.

Market housing sales values outlook

- 3.20 In June 2026, Savills published their revised mainstream house price forecasts following the ongoing Strait of Hormuz disruption and the recent increase in mortgage rates seen in the wake of the conflict. Savills consider that UK house prices will fall by 2% in 2026, with the most significant falls in London and the South-East. However, Savills consider there to be capacity for growth in the medium term as economic growth prospects improve and constraints on affordability reduce.¹¹
- 3.21 The table below is replicated from the June 2026 Savills mainstream house price forecast update and includes forecasting from Oxford Economics and the Bank of England.

¹¹ [Savills \(June 2026\) – Revised Mainstream House Price Forecasts](#)

Table 1 – Economic forecast summary table

Economic forecasts	2026	2027	2028	2029	2030
UK House Price Growth	-2.0%	2.5%	5.0%	6.0%	6.0%
CPI Inflation	3.9%	1.9%	1.9%	2.0%	2.0%
Bank of England Base Rate (at year end)	3.75%	3.50%	3.00%	2.75%	2.50%
Assumed average mortgage rate (at year end)	4.78%	4.34%	3.98%	3.71%	3.50%
Real GDP growth	0.7%	0.7%	1.8%	1.7%	1.4%
<i>Source: Savills Research using Oxford Economics and Bank of England</i>					

- 3.22 Savills comment that house price growth and activity were relatively robust in the early part of 2026 and cite Nationwide's view that house prices rose by 2% in the first four months of 2026. However, Savills consider that geopolitical events, which have downgraded economic forecasts, weaker consumer sentiment due to continuing affordability pressures and elevated levels of second-hand housing stock (which Savills attribute partly to landlords selling homes due to the impact of greater rental regulation) will all place downward pressure on house prices. Savills consider the main risk to house price growth being a protracted conflict in the Middle East leading to higher inflation and higher costs of borrowing.
- 3.23 The table below outlines Savills' June 2026 mainstream house prices for the UK and London. The forecasts apply to the average values of second-hand properties and Savills advise that the values of new-build properties may not move at the same rate.

Table 2 – Savills' forecasted house price growth for the UK and London

	2026	2027	2028	2029	2030	5 years to 2030
London	-4.0%	1.0%	3.5%	5.0%	5.0%	10.6%
UK	-2.0%	2.5%	5.0%	6.0%	6.0%	18.5%

- 3.24 CBRE in their UK Residential Forecasts Q1 2026 predict an increase in London house prices by 19.1% between 2026-2030. It is however noted that the CBRE forecast predate the ongoing Strait of Hormuz disruption which has served to alter sales growth forecasts particularly in London and the South East.¹²
- 3.25 CBRE comment that whilst London's sales value growth will be negatively affected in the short-term by affordability pressures, the greater supply shortages will in their view support

¹² [CBRE \(March 2026\) - UK Residential Forecasts Q1 2026](#)

stronger sales value growth, with the capacity to outperform the UK average towards the end of their 5 year forecasting period.

- 3.26 Knight Frank in their UK Housing Market Forecast Q2 2026 state that they forecast house prices in Prime Central London to drop by 2% in 2026 and house prices in Prime Outer London to be flat in 2026.¹³
- 3.27 The table below summarises available market forecasts in respect to sales value growth in London between 2026 -2030.

Table 3 – Current market sales value growth forecasts

Market sales value growth forecasts		2026	2027	2028	2029	2030
Savills (June 2026)	Prime Central London	-3.0%	0.0%	3.0%	3.5%	4.0%
	Prime Outer London	-2.0%	1.0%	3.0%	4.0%	4.5%
CBRE (Q1 2026)	Inner London	0.3%	1.5%	2.9%	4.8%	7.1%
	Outer London	0.6%	2.2%	3.7%	5.2%	7.0%
Knight Frank (Q2 2026)	Greater London	1.0%	2.5%	3.0%	4.0%	5.5%
Cushman & Wakefield (Dec 2025)	London	3.0%	2.8%	2.8%	2.5%	-
JLL (Dec 2025)	Central London	0.0%	2.0%	4.0%	5.0%	5.0%
	Greater London	1.0%	2.5%	3.5%	5.0%	4.5%

Market housing rents

- 3.28 In their UK residential forecasts Q1 2026, CBRE forecast rental value growth of 2.7% in 2026 and 12.7% between 2026-2030 in London. The rental supply will remain constrained as landlords continue to sell rental homes into the market and viability challenges faced by Build to Rent developments caused the institutional rental homes pipeline to shrink.
- 3.29 Knight Frank, in their UK Housing Market Forecast Q2 2026, expect 3.5% rental value growth in Prime Central London and Prime Outer London in 2026. They consider that the rental market will benefit in the short-term as demand shifts across from the sales market which remains impacted by affordability pressures and ongoing geo-political uncertainty.

¹³ [Knight Frank \(April 2026\) - UK Housing Market Forecast: Q2 2026](#)

- 3.30 The table below summarises available market forecasts in respect to rental value growth in London between 2026 -2030.

Table 4 – Current market rental growth forecasts summary

Market Rent growth Forecasts		2026	2027	2028	2029	2030
Savills (Nov 2025)	London	1.5%	1.5%	2.5%	2.5%	3.0%
CBRE (Q1 2026)	London (new lets)	2.7%	3.3%	4.0%	3.5%	3.2%
Knight Frank (Q2 2026)	Greater London	3.0%	3.0%	3.0%	3.0%	3.0%
Cushman & Wakefield (Dec 2025)	London	2.9%	2.8%	2.8%	2.7%	-
JLL (Dec 2025)	Central London	1.5%	3.0%	3.0%	4.0%	4.0%
	Greater London	2.0%	3.0%	3.5%	4.0%	3.5%

Residential investment outlook

- 3.31 Despite the general backdrop of wider macro-economic challenges and geopolitical uncertainty, Build to Rent (BTR) investment has seen a strong start in Q1 2026, with Savills reporting £795 million in investments – the highest first quarter of investment since 2022¹⁴. Activity has primarily been driven by investors acquiring operational stock, which accounted for over 60 per cent of total investment¹⁵. CBRE projects that single family BTR will continue to account for a large share of activity, while multifamily investment will remain focused on stabilised assets in early 2026 with forward-funding deals re-emerging later in the year¹⁶.
- 3.32 London's PBSA market remains one of the strongest residential sub-sectors in 2026, supported by constant institutional demand and continued investor interest in well-located operational assets and development opportunities. Q1 activity in the capital included Fusion Group and Cheyne Capital's acquisition of the Dockside Canada Water PBSA element in

¹⁴ [Savills \(April 2026\) - UK Build to Rent Market Update – Q1 2026](#)

¹⁵ [Knight Frank \(Q1 2026\) - UK BTR market update](#)

¹⁶ [CBRE \(2026\) - UK Real Estate Market Outlook 2026](#)

Southwark, a scheme of around 742 beds with an implied value of roughly £350 million, underlining that London continues to attract major capital despite wider market caution.¹⁷

- 3.33 Prime asset pricing also remains relatively stable, with Knight Frank citing prime direct-let yields in London at around 4.50% NIY, while Cushman & Wakefield puts Greater London PBSA yields at around 5.00%.¹⁸
- 3.34 London's co-living/Purpose-Built Shared Living (PBSL) market has strengthened and continued to mature over the last 12–18 months, moving from a niche tenure to a more established sector in London's housing market. Demand for co-living accommodation remain strong in London. In 2025, Savills estimated a London target market of at least 640,000 people, yet only around 6,200 operational units are currently available in the capital, highlighting a significant supply gap. The average rents for co-living accommodation in London were generally £1,550–£1,750 pcm, based on 11 schemes with over 2,700 units.¹⁹
- 3.35 Planning applications for co-living development has also increased in recent years, with 26 major applications totalling 10,000+ homes, and co-living proposals now seen in more than three quarters of London boroughs. Notwithstanding that, it is reported that rising construction costs and planning complexity still constrain delivery.²⁰

Affordable housing

- 3.36 The market for new-build affordable housing stock secured through S106 has been negatively impacted in recent years as a result of some Registered Providers (RPs) becoming less active in the market to focus on remediating their existing stock in the wake of new regulatory requirements. In addition, RPs delivering their own land-led developments also face higher construction costs arising from inflation which has eroded their financial capacity and appetite for acquiring S106 homes.
- 3.37 The government's 2025 Spending Review announced the government's £39 billion Social and Affordable Homes Programme (SAHP) 2026–2036 over the next 10 years and also set out a 10-year rent settlement for Registered Providers. The government's SAHP will be delivered by the GLA in London and by Homes England outside of London. The 10 year rent settlement for social housing permits RPs to increase rents by the Consumer Price Index

¹⁷ [Knight Frank \(May 2026\) - UK Student Market Update Q1 2026](#)

¹⁸ [Cushman & Wakefield \(Q1 2026\) - UK Living Marketbeat Reports](#)

¹⁹ [Savills \(Feb 2025\) - Spotlight: UK Co-Living 2025](#)

²⁰ [Lichfields \(Jan 2026\) - 2025, the year co-living came of age](#)

(CPI) plus one percent per annum from April 2026. In addition, the Spending Review also confirmed that housing associations would have equal access to building safety funding.²¹

- 3.38 In March 2026, the government launched a consultation on proposals for implementing social rent convergence which would form part of the government's 10 year rent settlement for social housing. Rent convergence would permit RPs to increase the rents for existing Social Rent properties that are currently below the government's 'formula rent' by an additional amount each year, over and above the CPI plus one percent cap, until the rents converge with formula rent.
- 3.39 In 2025, the government announced that £2.5 billion of low interest loans would be made available to RPs alongside the SAHP to support the delivery of new affordable homes. £1 billion of the low interest loans will be made available by the National Housing Bank for development projects outside of London and £1.5 billion of low cost loans will be made available by the GLA for developments in London.
- 3.40 The government has confirmed that the interest rate for the low-cost loans will be 0.1% with a term of 25 years and a single bullet repayment. Funding will be made available to be drawn down over a 4 year period between 2026 and 2029. The low-cost loans are intended to be used to deliver the same strategic priorities as the funding available under the SAHP to deliver new social and affordable homes; however, up to 10% of the funding is to be made available to support RP acquisitions of S106 affordable homes from developers.²²
- 3.41 The government's 10-year SAHP, the 10 year rent settlement, introduction of low cost loans and future introduction of a rent convergence mechanism should all collectively serve to significantly enhance the financial capacity of RPs enabling them to acquire new S106 homes and bring forward ambitious land-led schemes.
- 3.42 The Mayor of London has secured up to £11.7 billion to implement the SAHP in London with 60 per cent of the new homes delivered through the programme expected to be social rent tenure. The SAHP will also support the delivery of other affordable housing tenures to support the different needs of Londoners including shared ownership, intermediate rent (including Key Worker Living Rent) and London Living Rent.
- 3.43 It is clear that both traditional and for-profit RPs will need to play a crucial role in delivering affordable housing under the new London Plan and that this will be vital for meeting the ambitious new housing targets. Research undertaken by the GLA (see Annex 6) demonstrates the importance of affordable housing and tenure diversity in supporting

²¹ [UK Government \(June 2025\) - Spending Review 2025](#)

²² [UK Government \(Mar 2026\) - National Housing Bank — Support for Registered Providers of affordable housing](#)

delivery and build out rates. This shows that schemes with higher levels of affordable housing are more likely to have commenced or completed and indicates that the higher level of affordable housing in London's residential pipeline, arising in part through the current London Plan and other Mayoral interventions, has helped to support delivery at a level that is higher than would otherwise have been achievable. This also underscores the importance for RPs and developers to engage in 'day one' collaboration when preparing to bring forward new development on large strategic sites.

- 3.44 Given the extent of need for affordable housing, there is also a need to take a wider strategic approach and holistic view when planning funding and public subsidy support measures to enable affordable housing delivery, particularly the delivery of new social rent housing. The delivery of new social rented housing will help reduce the high levels of homelessness in London, and the significant costs currently faced by Local Authorities in respect to temporary accommodation.
- 3.45 Non-for-profit RPs have reported a lack of demand for shared ownership housing in London and as a result have opted to focus on delivering social rented housing. The strategic refocusing of delivering social rent is welcomed given the need for pan-London strategic need for new social rent housing.
- 3.46 Notwithstanding the challenges with regard to delivering share ownership properties within parts of the capital, there remains a very strong latent demand for intermediate homes including Key Worker Living Rent across London, the delivery of which will contribute to the tenure diversity required to support higher absorption rates and consequently higher build out rates. Private developers and for-profit RPs supported by institutional finance partners may be better placed to support the delivery of a new generation of intermediate homes in London. Some developers may also benefit from 'brand loyalty' arising from first time buyers accessing home ownership through intermediate housing such as London Living Rent or shared ownership, and building equity towards the purchase of a larger future home from the same developer.
- 3.47 It is considered that there is potential for greater synergy between Build to Rent development and the shared ownership tenure, in which Build to Rent homes and shared ownership homes could be delivered together as an attractive investment asset for investors. Shared ownership tenure provides a lower risk, inflation protected return, in terms of rental income alongside potential capital value appreciation. Occupiers of shared ownership properties largely tend to be young professionals who might be drawn to the onsite amenity provision commonly offered as part of Build to Rent developments, which

could be opted into as part of the service charge. The benefits of onsite management and maintenance services provided by Build to Rent operators may also help alleviate commonly identified concerns around repair costs disproportionately falling on shared ownership leaseholders.

Office market outlook

- 3.48 The London office market has shown signs of a slowdown over the last 12 months, but not a downturn. Take-up in Q1 2026 was around 2.4 million square feet²³, slightly below the 10 year quarterly average, reflecting more cautious and prolonged decision-making by occupiers amid ongoing economic and geopolitical uncertainty. However, overall demand remains resilient, with over 12 million square feet of active requirements²⁴, indicating a strong underlying pipeline. The market continues to be constrained by a limited supply of high-quality space, with vacancy rates for new Grade A offices in core locations remaining very low at around 1.6%.
- 3.49 Rental performance has remained stable at the prime end of the market. Knight Frank expects that headline rents in the best locations are unlikely to fall due to the ongoing shortage of top-grade space. This is reflected in recent evidence, with City prime rents increasing by approximately 7.7% year-on-year, alongside continued growth in the West End²⁵. Notwithstanding that, landlords are increasingly relying on longer rent-free periods and other incentives to secure lettings while maintaining headline rent levels.²⁶
- 3.50 Investment activity has softened in the near term, with Colliers reporting around £1.9 billion transacted in Q1 2026. This reflects a more cautious approach from investors in the current climate, rather than any fundamental loss of confidence in the London market. Demand remains focused on well-located, high-quality assets, particularly those with strong environmental credentials.
- 3.51 Looking ahead, the overall outlook remains positive. The London office market continues to benefit from a deep occupier base, constrained supply of prime space, and sustained global investor interest. In addition, growth sectors such as artificial intelligence are becoming increasingly important drivers of demand, already accounting for around 10% of take-up.

²³ [Colliers \(Apr 2026\) - London Offices Snapshot](#)

²⁴ [Knight Frank \(Apr 2026\) - London Office Market Report Q1 2026](#)

²⁵ See Footnote 24

²⁶ [Carter Jonas \(Q1 2026\) - London Office Market](#)

Retail

- 3.52 London's retail market continues to shift away from traditional single-use retail schemes towards mixed-use development, with retail increasingly integrated alongside residential, office, leisure, healthcare and cultural uses. Savills notes that the future of high streets will depend on this broader mix of activity, with successful centres functioning as multi-purpose destinations rather than purely shopping locations.²⁷ The repurposing of obsolete retail space has become a key feature of this transition, particularly across London high streets where former department stores and oversized units can be adapted to provide offices, education, healthcare, community or residential uses, while retaining active ground-floor frontages.
- 3.53 The growth of the experience economy is also supporting retail and service uses across London, especially in central and inner London, where consumers are increasingly drawn to food and beverage, events, culture, leisure, nightlife and other experiences that cannot be replicated online. These growing sectors are becoming more important in driving footfall and spend.²⁸
- 3.54 The proposed revitalisation and pedestrianisation of Oxford Street are likely to create further investment opportunities in the West End; and improve both accessibility and the public realm, thereby generating higher footfall and improving the overall shopping experience.²⁹
- 3.55 Whilst prime inner London locations remain attractive to retailers, weaker secondary high street locations may need repurposing or broader placemaking strategies implemented to protect their vitality and viability.
- 3.56 Policy changes may also influence the future retail outlook. For example, Westminster's new Retrofit First policy approach requires developers to explore reasonable options to retain and adapt existing buildings before seeking demolition, while also supporting extensions and lower-carbon redevelopment where appropriate. This is likely to favour refurbishment-led and adaptive-reuse retail schemes over wholesale redevelopment, particularly in core central London locations where heritage and land value considerations are especially pronounced.³⁰
- 3.57 From a viability perspective, retail remains more challenging in some outer London locations, where footfall can be less consistent than in prime central areas. However,

²⁷ [Savills \(Jun 2026\) - Redefining the role of the high street](#)

²⁸ [London Growth Plan \(Feb 2025\) - Experience economy](#)

²⁹ [Richard Berry, London Assembly Research Unit \(Oct 2024\) - Pedestrianising Oxford Street](#)

³⁰ [Architects' Journal \(Mar 2024\) - Westminster Council unveils 'retrofit first' city plan](#)

London's town centres continue to play an important role in providing convenience retail and services to meet residents' day-to-day needs.

Industrial

- 3.58 The outlook for industrial development in London remains positive, driven by ongoing supply constraints and evolving logistics requirements, particularly since the pandemic. While short-term macroeconomic uncertainty continues to weigh on market sentiment, occupier demand has remained robust despite elevated costs and geopolitical volatility.
- 3.59 Across London and the South East, industrial take up reached 7.1 million sq. ft in 2025, above the pre-pandemic average, with retailers accounting for 40% of demand as operators expand and modernise their distribution networks.³¹
- 3.60 At the same time, structural shifts such as the growth of e-commerce, supply chain reconfiguration, and the increasing need for urban "last-mile" logistics, continue to support long-term demand for well-located space.³²
- 3.61 Industrial rental levels are expected to remain positive but moderate, with London rents forecast to grow by around 3.8% in 2026. Long-term rental growth is likely to be driven by persistent undersupply, particularly in urban locations where the redevelopment of industrial land for higher-value uses continues to erode available stock.
- 3.62 Looking ahead, industrial development in London is expected to focus on intensification and urban logistics. Investor appetite for well-located, multi-let assets remains strong, and improving financing conditions could unlock further development activity as confidence returns.

Construction costs

- 3.63 Over the past few years, construction costs in London have transitioned from a period of sharp inflation into relative stabilisation. An analysis of the RICS BCIS All-in Tender Price Index, which estimates construction tender price inflation, indicates that between Q1 2020 and Q1 2026, there has been an increase in the costs of construction of approximately 22%. This is however just one estimate, and some market commentators consider that build cost inflation in London over this period has been in excess of this estimate.
- 3.64 Following significant cost inflation during 2021–2023, driven by supply chain disruption, energy shocks and strong wage growth, cost increases slowed through 2024–2025. Material

³¹ [Knight Frank \(Jan 2026\) - LOGIC: London & South East 2025 Review](#)

³² [Cushman & Wakefield \(Q1 2026\) - UK Industrial Marketbeat Reports](#)

price inflation moderated to around 3.3% annually in 2025, with prices largely flat in the second half of the year due to weak demand conditions. At the same time, construction wage growth slowed markedly from 6.4% in April to just 2.3% by December.

- 3.65 The London and the wider construction market present a mixed but generally resilient picture, supported by a £718bn national infrastructure investment programme over the next decade. New orders increased by 12.6% in 2025, with infrastructure alone growing by 46.8%. Public sector and energy-related projects are particularly resilient, helping to stabilise the market despite wider economic uncertainty.
- 3.66 Conversely, structural weaknesses remain, particularly in the housing and private commercial sectors. Housing has experienced four consecutive years of declining new orders, while viability pressures continue to impact on new developments.
- 3.67 In the short term, modest output recovery is expected, driven by strong new orders, albeit alongside renewed inflationary pressures linked to energy markets. Over the medium term (2027 onwards) tender price inflation is forecasted to rise to around 3.5%–4.0%, outpacing general inflation. Overall, the market is likely to be shaped by the balance between strong underlying demand and ongoing risks relating to cost volatility, viability constraints and macroeconomic uncertainty.³³

Table 5 – Market tender price forecasts

Market Tender Forecasts	2026	2027	2028	2029	2030
Gleeds Greater London (Q1 2026)	4.0%	4.0%	4.0%	-	-
Mace London (Q1 2026)	3.5%	3.5%	4.0%	3.5%	-
Turner & Townsend UK (Q2 2026)	3.0%	3.5%	3.5%	-	-
Gardiner & Theobald Greater London (Q2 2026)	3.75%	3%	2.75%	2.75%	-
Arcadis UK (Q1 2026)	1-3%	2-3%	4-5%	4-5%	-
RICS BCIS All in TPI	3.0%	2.7%	2.3%	3.0%	2.4%

³³ Mace Consult (Jun 2026) - London Plan Benchmark Study (See Appendix 1)

4. METHODOLOGY

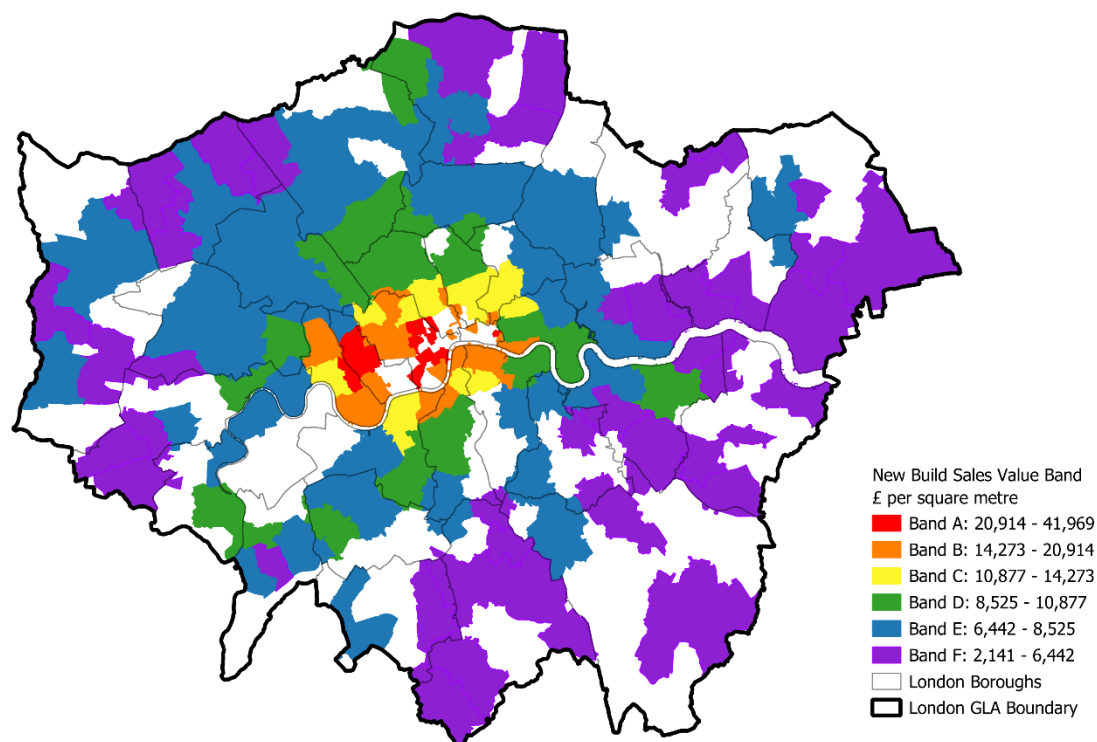
Area Wide Viability Study Overview

- 4.1 The London Plan Viability Study (LPVS) is an area-wide financial viability assessment which covers the Greater London area.
- 4.2 An area-wide viability assessment is a high-level viability assessment which seeks to conduct viability analysis across a spatial area in order to understand the viability of development and emerging planning policy requirements as part of the Plan-making process. For local authorities, area-wide viability assessments are also employed to inform the formulation of CIL Charging Schedules.
- 4.3 The role of the LPVS is to understand the viability implication of the emerging policies of the new Draft London Plan. The LPVS is not required to demonstrate that every site in London will be viable under the policies of the new London Plan, but it needs to provide a high-level indication that the tested emerging policies in the new London Plan would be realistic and deliverable.
- 4.4 Whilst a site-specific financial viability assessment submitted alongside a planning application can assess viability at a more granular level, by reviewing scheme specific build costs set out in a cost plan, site Existing Use Value and local development values to determine a scheme Gross Development Value (GDV), an area-wide viability assessment draws upon the use of development typologies to assess viability across a wider geographic area. An area-wide viability assessment therefore provides a spatial 'litmus test' of viability enabling Plan-makers to understand the viability landscape and help inform the Plan-making process.

Use of Value Bands

- 4.5 The structure of the LPVS is based on an assessment of viability across a series of concentric value bands which reflect the pattern of open market sales values for new-build development across London. This allows for a spatial mapping of London's residential development values.
- 4.6 The LPVS uses six different values bands (A – F), the highest open market residential sales values are found in Value Band A which in high level terms encompasses the core areas of the Central Activities Zone/Central London; whilst the lowest open market residential sales values are found in Value Band F which largely constitutes the periphery of Greater London. Map 1 below outlines the LPVS's six value bands.

Map 1: London Plan Viability Study Value Bands



Use of development typologies

- 4.7 In line with the guidance set out in the NPPG in respect to viability and the RICS Professional Standard ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’, the LPVS adopts the use of a series of development typologies which are intended to be representative of the types of sites expected to come forward over the Plan period.³⁴
- 4.8 The viability testing of development typologies is intended to provide a high-level assurance that the policies of the new London Plan are deliverable.
- 4.9 The study’s development typologies comprise a scheme typology partnered with a site typology. The scheme typology represents the new development, and the site typology represents the type of site being redeveloped.
- 4.10 An analysis of referable and non-referable planning applications was undertaken for each of the study’s six value bands using GLA data, the online Molior platform and LPA websites. Site Allocations within adopted and emerging Borough Local Plans were also reviewed alongside the London Strategic Housing Land Availability Assessment (SHLAA) to analyse

³⁴ See NPPG (Viability) paragraph 004 Reference ID: 10-004-20190509

the characteristics of the development land pipeline within each Value Band area to help inform the study's development typologies.

- 4.11 In respect to the study's Green Belt typologies, a review of pre-application submissions and current planning applications within the Green Belt, as well as engagement with the GLA London Plan Team, has informed the formulation of the development typologies.
- 4.12 This analysis helped identify the pattern of archetypal development forms across each value band, and the common types of sites coming forward for redevelopment. It also informed the scheme typologies and the appropriate partner site typologies adopted in the study.
- 4.13 Further detailed analysis was undertaken of scheme density, building efficiencies (net to gross floorspace ratios), typical unit mix, and unit sizes using benchmark planning application data to underpin the scheme typology assumptions. Joint working between the GLA Viability Team and the GLA Design Unit also focused on typical building forms and efficiency for referable planning applications.
- 4.14 In respect to the methodology for the LPVS, a residual land valuation was undertaken for each scheme typology to ascertain a residual land value output. The partner site typology and its existing land use(s) then informs an appropriate Existing Use Value (EUV), to which a landowner premium is applied to establish a Benchmark Land Value (BLV). Comparing the residual land value against the BLV allows the viability of each development typology to be assessed.
- 4.15 The residential development typologies adopted in the LPVS are classified into three categories: minor (1-9 residential units) developments, medium (10-49 residential units) developments and major (50 residential units and above) developments. A further specialist category is included for strategic site development typologies (4 hectares and larger).
- 4.16 Purpose-built student accommodation (PBSA) and purpose-built shared living (PBSL) developments are also assessed as distinct specialist typologies.
- 4.17 Further details on the LPVS's development typologies are set out in Annex 3.

Residual Land Valuation methodology

- 4.18 The LPVS employs the residual land valuation methodology to derive a residual land value (RLV) output for each scheme typology, which is conducted in three steps. The first step calculates the total revenue of a scheme, which is referred to as the Gross Development Value (GDV). This includes the total values of market housing, affordable housing, and any commercial floorspace. The second step establishes the total development costs for a scheme, which is referred to as the Gross Development Cost (GDC). This includes

construction costs (including demolition and any abnormal costs), contingency allowance, professional fees, finance costs, S106 and CIL payments, marketing and disposal fees, land acquisition fees (including Stamp Duty Land Tax and agent fees), and developer profit. The final step involves calculating the RLV by deducting the GDC from the GDV, which represents the value available to the developer to acquire the site for redevelopment and therefore informs the developer's bid for a site.

- 4.19 Planning policy requirements can affect development viability in several ways and influence the RLV outturn in an appraisal. Some planning policy requirements, such as S106 financial contributions, serve to increase development costs, while others like affordable housing and affordable workspace requirements lowers the scheme GDV. However, increasing the affordable housing provision in a viability appraisal also has the effect of reducing finance costs, marketing and disposal fees, CIL liability, finance costs, and developer profit, thereby mitigating some of the viability impact from the reduction of the GDV. Some planning policy requirements can also add value to schemes and therefore serve to increase scheme viability.
- 4.20 Residual land valuation is the predominant methodology for site-specific and area-wide viability assessments for planning purposes and are typically undertaken using standardised cash-flow based appraisal software. These typically apply standardised input assumptions including the assumption that schemes are 100% debt financed (i.e. all development costs including land cost are funded through borrowing). Viability appraisals for the LPVS are conducted using Argus Developer, which is an industry standard development appraisal tool widely used for financial viability assessments for planning purposes.
- 4.21 To determine the viability of a scheme typology, the RLV is compared to a Benchmark Land Value (BLV) which reflects the reasonable landowner's minimum return for a site based upon the Existing Use Value (EUV) of the site plus a landowner's premium to incentivise release. Where a RLV exceeds or is equal to the BLV, it indicates that the landowner's return can be met and the scheme is viable; conversely, where a RLV is below the BLV, a scheme is deemed to be unviable. In the LPVS, the RLV outputs are compared against up to three different BLVs to ascertain the viability of the development typologies.
- 4.22 Residual land valuations are inherently sensitive to small changes in input assumptions which can cumulatively result in significant changes in the residual output. Therefore, sensitivity analysis is crucial as a sense-check to ensure the RLV outputs are realistic.
- 4.23 To account for the significant spatial variation in both development values and costs as well as land values across London, the LPVS has modelled a wide range of sales values within

each value band, as well as the potential for variations in build costs. Specifically, the appraisals model 5% – 10% increases and decreases to mid-point sales values to reflect the observed sales value variation in each value band. In line with Mace’s recommendation, 2.5% – 5% increases and decreases to mid-point construction costs have also been tested. Incremental 2.5% – 5% increases and decreases in rental value have been modelled for Build to Rent, PBSA, PBSL and commercial uses.

Understanding the viability testing results

- 4.24 The results of the viability testing are outlined in Annex 1. These are presented as a series of output matrices, which illustrate how scheme viability changes under different assumptions for residential sales values and construction costs. Each matrix relates to a specific policy scenario and development typology.
- 4.25 For each test, the table header identifies:
- the policy scenario being tested (e.g. 35% Affordable Housing at a tenure split of 40% Key Worker Living Rent (KWLR) and 60% Social Rent);
 - the development typology identification (e.g. MAJ_RES_2_B_35%); and
 - the three Benchmark Land Value (BLV) scenarios against which the Residual Land Value (RLV) is assessed.
- 4.26 The left-hand side of each matrix sets out the BLV assumptions. Three BLV scenarios are presented (BLV 1, BLV 2 and BLV 3), representing different BLV assumptions used throughout the testing.
- 4.27 Within each matrix, the columns represent changes in gross sales values (from -10% to +10%), while the rows represent changes in gross construction costs (from -5% to +5%). Each cell shows the RLV generated under that particular combination of changes to sales values and construction costs.
- 4.28 The colour coding indicates whether the scheme generates sufficient value to exceed the relevant BLV: Green cells indicate that the RLV exceeds the applicable BLV, and red cells indicate that the RLV falls below the BLV.

Table 6 – Example results output

Table Reference:	EXAMPLE RESULTS OUTPUT					
Policy Reference:	35% AH, 40% KWLR & 60% SR					
Typology Reference:	MAJ_RES_2_B_35%					
BLV 1: £2,184,000	MAJ_RES_2_B	Sales: Gross Sales				
	Construction: Gross Cost	-10%	-5%	0%	5%	10%
	-5%	£12,484,723	£18,313,950	£24,143,176	£29,971,744	£35,800,159
	-2.5%	£9,889,342	£15,718,569	£21,547,795	£27,376,365	£33,204,781
	0%	£7,293,961	£13,123,187	£18,952,414	£24,780,981	£30,609,397
	2.5%	£4,698,580	£10,527,806	£16,357,032	£22,185,600	£28,014,018
	5%	£2,095,233	£7,932,425	£13,761,651	£19,590,217	£25,418,634
BLV 2: £9,864,000	MAJ_RES_2_B	Sales: Gross Sales				
	Construction: Gross Cost	-10%	-5%	0%	5%	10%
	-5%	£12,484,723	£18,313,950	£24,143,176	£29,971,744	£35,800,159
	-2.5%	£9,889,342	£15,718,569	£21,547,795	£27,376,365	£33,204,781
	0%	£7,293,961	£13,123,187	£18,952,414	£24,780,981	£30,609,397
	2.5%	£4,698,580	£10,527,806	£16,357,032	£22,185,600	£28,014,018
	5%	£2,095,233	£7,932,425	£13,761,651	£19,590,217	£25,418,634
BLV 3: £21,120,000	MAJ_RES_2_B	Sales: Gross Sales				
	Construction: Gross Cost	-10%	-5%	0%	5%	10%
	-5%	£12,484,723	£18,313,950	£24,143,176	£29,971,744	£35,800,159
	-2.5%	£9,889,342	£15,718,569	£21,547,795	£27,376,365	£33,204,781
	0%	£7,293,961	£13,123,187	£18,952,414	£24,780,981	£30,609,397
	2.5%	£4,698,580	£10,527,806	£16,357,032	£22,185,600	£28,014,018
	5%	£2,095,233	£7,932,425	£13,761,651	£19,590,217	£25,418,634

Overview of viability tested Draft London Plan Policies

- 4.29 This section of the London Plan Viability Study (LPVS) report sets out the emerging policies of the Draft London Plan that have been identified as having an impact on development viability and therefore require viability testing to assess their impacts. Emerging policies are set out under the following headings: Housing policies (which include PBSA and PBSL), Economic policies, Environment and Sustainability policies, and Transport policies.

Housing policies:

- 4.30 A summary of Draft London Plan's housing policies, and how these have been addressed in the LPVS is set out below.

Accessible housing

- 4.31 The Draft London Plan seeks 10 per cent of homes within each individual housing tenure in a scheme to be provided as wheelchair-accessible dwellings, meeting Building Regulation requirement M4(3) ‘wheelchair user dwellings’, with all remaining units required to meet M4(2) ‘accessible and adaptable dwellings’.
- 4.32 All residential (Class C3) development typologies within the major development category should incorporate 10% of market homes, 10% of intermediate tenure homes and 10% of social rent homes as M4(3) compliant units.
- 4.33 The table below sets out the wheelchair-accessible dwellings M4(3) unit types adopted in the study’s development typologies:

Table 7 - wheelchair accessible dwelling sizes

Unit Type ((M4(3))	Unit NSA/GIA sqm
1B2P WC	60
2B4P WC	88
3B6P WC	108

- 4.34 Mace Consult have confirmed that their residential benchmark schemes, which form the basis of the study’s benchmark construction cost rates, include provision for 10% wheelchair-accessible dwellings M4(3), reflecting the existing London Plan requirements. The costs associated with delivering 10% M4(3) units are therefore already embedded within the construction cost assumptions used in the study.
- 4.35 In addition to C3 residential major development, the LPVS’s PBSA and PBSL development typologies all include 5% of units as wheelchair accessible with further allowances made within the unit mix to cover the requirement for an additional 5% wheelchair adaptable units.

Acoustic Insulation

- 4.36 The Draft London Plan requires all residential development meets the noise performance of 58 L’nT,w for maximum impact sound transmission in new build development as well as residential conversions.
- 4.37 Further work is required to understand the costs implications of this emerging policy requirement. This will be addressed in Phase 2 of the LPVS.

Affordable Housing

- 4.38 The LPVS reviews the affordable housing thresholds set out in Policy H5 of the 2021 London Plan to assess whether they still provide the right incentives to support affordable housing delivery under the new London Plan.
- 4.39 The LPVS models a 35% affordable housing threshold for all major residential development typologies in Value Bands B and C. In respect to medium category residential typologies, the study models both 35% and 20% affordable housing thresholds across all Value Bands.
- 4.40 For major residential development typologies, the LPVS models 35% and 25% affordable housing thresholds in Value Bands B and C, and 35%, 25% and 20% thresholds in Value Bands D, E and F.
- 4.41 An affordable housing tenure split of 60% social rent and 40% intermediate housing has been adopted in the viability modelling. The tenure of the intermediate housing has been modelled as Key Worker Living Rent in Value Bands A, B and C. The tenure of the intermediate housing has been modelled as London shared ownership in Value Bands D, E and F.
- 4.42 In respect to Build to Rent development typologies, these have been viability tested using the same affordable housing thresholds as Build for Sale across the value bands. The affordable housing tenure split for Build to Rent is assumed to be 70% Discount Market Rent and 30% Key Worker Living Rent.
- 4.43 The viability testing of the Green Belt development typologies models 50% affordable housing at a tenure split of 50% social rent and 50% London shared ownership, with a higher proportion of family sized units.

Fire Safety Requirements

- 4.44 In March 2024, the Government published technical guidance setting out that all new residential buildings of 18 metres or taller must include two separate staircases from 30 September 2026.
- 4.45 The threshold of 18 metres was introduced in order to align with the definition of higher-risk buildings under the Building Safety Act 2022 and the Fire Safety Act 2021, as well as other fire safety requirements.
- 4.46 In addition, there is a requirement for a fire evacuation lift to be provided per residential core in new high rise residential developments.

- 4.47 Mace Consult have advised that the additional costs associated with meeting the enhanced fire safety requirements from building of 7-9 storeys are in the region of 2-3%.³⁵
- 4.48 Mace Consult have further advised that their construction cost rates for building typologies in excess of 6 storeys were largely informed by benchmark cost data from residential developments which comply with the latest fire safety measures; where this was not the case, appropriate adjustments have been made to take account of the additional costs of compliance. It is therefore considered that the study's construction cost rates applied in the study reasonably account for the costs associated with meeting fire safety requirements.

Purpose Built Student Accommodation (PBSA)

- 4.49 The LPVS reviews the viability of a number of Purpose-Built Student Accommodation (PBSA) typologies, which model onsite affordable student accommodation as well as conventional C3 use floorspace as affordable housing, in line with the affordable housing thresholds as adopted for the residential development typologies in the study's Value Bands.
- 4.50 The PBSA development typologies with onsite affordable student accommodation has also been tested with an additional affordable housing financial contribution. The affordable housing financial contributions modelled in the appraisals are based on a rate per square metre and applied to the market PBSA habitable Net Internal Area (discounting communal amenity floorspace) to derive a financial contribution for each specific appraisal.

Purpose Built Shared Living (PBSL)

- 4.51 The LPVS reviews the viability of a number of Purpose Built Shared Living (PBSL) typologies. PBSL, often referred to as 'co-living', is a relatively new form of residential asset class in London. It is broadly similar to PBSA in providing small studio units for residents and a variety of onsite residential amenities such as co-working space, gyms, lounge areas, cinema and game rooms. It is now common for co-living studio units to feature a kitchenette, but the majority of co-living developments feature communal kitchens.
- 4.52 The PBSL development typologies have been modelled with different levels of affordable housing financial contributions according to each Value Band. The affordable housing financial contributions modelled in the appraisals have been based upon a rate per square metre and applied to the habitable Net Internal Area (discounting communal amenity floorspace) to generate a financial contribution for each typology.

³⁵ See Appendix C: Building Efficiently Note within the Mace's London Plan Benchmark Report in Appendix 1 of this report.

- 4.53 Additional PBSL typologies incorporating convention residential (Class C3) floorspace as affordable housing have also been modelled, in line with the same affordable housing thresholds used for the residential development typologies across the study's value bands.

Economic policies:

- 4.54 A summary of Draft London Plan's economic policies and how these have been addressed in the LPVS is set out below.

Affordable Workspace

- 4.55 The Draft London Plan encourages boroughs to bring forward affordable workspace policies in their Local Plans, which would apply to Class E floorspace. The LPVS also considers the viability impact of seeking affordable workspace requirements from Classes B2 (general industrial) and B8 development (storage and distribution). The intention is that the affordable workspace policies would be informed by borough-level area-wide viability testing, undertaken at the local plan-making stage.
- 4.56 Affordable workspace can be delivered on-site as part of a wider development. Alternatively, where barriers to on-site provision exist, a financial contribution in lieu of provision may be secured to support off-site delivery.
- 4.57 Affordable workspace is typically secured as a planning obligation within a Section 106 Agreement, which stipulates the amount of affordable workspace floorspace, the level of discount to the rent, and the duration of the rental discount. Boroughs typically take the head lease for the affordable workspace unit and sublet to an approved Affordable Workspace Provider.
- 4.58 The LPVS models the viability impact of both on-site affordable workspace provision and financial contributions towards off-site delivery. For office development, the LPVS assumes 10 per cent of gross Class E (g)(i) office and Class E(g)(ii) research and development floorspace as affordable workspace, with a rental discount of 25%, 50% and 75% to open market rent, both in perpetuity and with a term of 15 years before a reversion to open market rent.
- 4.59 The affordable workspace viability modelling in relation to office developments is set out in Annex 8.
- 4.60 The LPVS models financial contributions towards offsite affordable workspace provision for industrial uses within Class B2, B8 and E(g)(iii). Financial contributions towards affordable workspace are calculated on the basis of 10% of floorspace at discounted rents of 75%, 50% and 25% of open market value applied in perpetuity.

- 4.61 The affordable workspace viability modelling in relation to industrial uses (classes B2, B8 and E(g)(iii)) is set out in Annex 9.

Employment and Training Contributions

- 4.62 The Draft London Plan encourages boroughs to secure employment and training contributions from new commercial developments during the construction stage and the operational stage.
- 4.63 The LPVS assumes an allowance of £5,500 per residential unit, £4,000 per PBSA/PBSL unit and £25 per square metre for commercial/non-residential GIA floorspace to account for the cost of typical S106 requirements. This allowance is considered sufficient to encapsulate employment and training contributions, which are already sought by a number of London Boroughs as standard obligations and generally represent a relatively minor development cost.

Industrial Intensification

- 4.64 The Draft London Plan supports the intensification of industrial land within Strategic Industrial Locations, as well as the introduction of industrial uses in appropriate Green Belt locations and re-purposed retail parks.
- 4.65 The viability modelling and analysis focused on industrial intensification is set out in Annex 9.

Environment policies:

- 4.66 A summary of Draft London Plan's environment and sustainability policies and how these have been addressed in the LPVS is set out below.

Biodiversity Net Gain (BNG)

- 4.67 Biodiversity Net Gain (BNG) is a mandatory requirement for developments that require planning permission under Schedule 7A of the Town and Country Planning Act 1990 (as inserted by Schedule 14 of the Environment Act 2021). BNG seeks to create and improve natural habitats and therefore biodiversity on development sites. The mandatory measure requires a minimum of 10% uplift in BNG.
- 4.68 Recent area-wide financial viability assessments in London have referenced the 2019 DEFRA report 'Biodiversity net gain and local nature recovery strategies impact assessment', which indicates a cost equivalent to approximately 0.2% of build costs for brownfield sites in London to achieve a 10% biodiversity net gain. The same impact assessment identified a cost amounting to 1.5% of build costs on greenfield sites in London to achieve a 10% biodiversity net gain. These assumptions have been adopted in the LPVS appraisals as they

are considered to be appropriate assumptions for area-wide viability testing purposes. However, they will be kept under review and may be refined as part of the GLA's phase 2 assessment.

- 4.69 At the time of the production of this report, the Government has consulted on potential BNG exemptions for residential development on brownfield land³⁶. Any future revisions to BNG will be considered as part of the GLA's phase 2 report.

Energy Standards

- 4.70 The emerging energy standards policy requires major developments to minimise energy use through highly energy efficient design, building fabric and heating systems. It sets out baseline and aspirational requirements for Energy Use Intensity (EUI) and Space Heating Demand (SHD). The emerging policy also includes clauses to promote the provision of renewable energy generation and storage technologies, and post construction in-use energy monitoring for at least five years.
- 4.71 The evidence base for operational energy and carbon policies (Etude - September 2025) includes estimated build cost impacts for policy options relating to SHD, EUI, cooling, renewable energy generation, and energy balance (including offsetting) compared to a baseline London Plan-compliant specification. A set of good practice fabric specifications and a heat pump system are assumed to represent the baseline, reflecting typical delivery in London. In some cases, modest build-cost savings are considered achievable in the Etude study for some combinations of options due to simpler systems such as direct electric heating, while higher energy performance levels may result in additional construction costs linked to enhanced fabric, systems or design coordination. The estimates were based on cost datasets for energy efficient and low carbon technologies which incorporate information from market prices, specific market testing and first principles cost planning by specialist quantity surveyors. Costs were developed for each affected element to identify the variance in prices between the baseline and proposed specifications.
- 4.72 The construction cost benchmark rates provided by Mace Consult reflect compliance with the current London Plan requirements and the LPVS does not therefore account for the emerging energy standards policy in the Draft London Plan. Detailed assessment of these additional costs will be undertaken as part of the LPVS Phase 2 report.

³⁶ [DEFRA \(Apr 2026\) - Biodiversity Net Gain - considering a targeted exemption for residential brownfield development](#)

Overheating Design

- 4.73 The emerging policy on preventing overheating aims to reduce contributions to the urban heat island (UHI) and minimise the risks of overheating. It promotes passive design measures and green infrastructure to improve the resilience of development to heat risk, as well as considering future climate scenarios. The emerging policy sets a stepped approach for buildings to limit solar gains (e.g. through the use of shading), remove excess heat (e.g. through natural ventilation) and minimise the need for active cooling.
- 4.74 The construction cost benchmark rates provided by Mace Consult reflect the current London Plan requirements on management of heat risk. The benchmark costs used in the LPVS do not therefore account for the emerging overheating policy in the Draft London Plan. These will be assessed in more detail during Phase 2 of the LPVS.

Embodied and Whole Life-Cycle Carbon

- 4.75 The emerging whole life carbon policy sets out requirements for referable schemes to assess and reduce upfront embodied carbon and whole life-cycle carbon (WLC). This includes requirements to consider the potential for reuse or refurbishment of existing buildings and materials on site, and a 'lean' approach to reduce upfront embodied carbon through good design and material efficiency. The emerging policy also sets baseline and aspirational targets for upfront embodied carbon, and requires assessment of WLC emissions to maximise resource efficiency over a building's lifespan.
- 4.76 The evidence base for embodied and whole life carbon policies (Etude - September 2025) includes estimated build cost impacts for policy options relating to embodied carbon and whole life-cycle carbon policy requirements compared to typical practice in response to current London Plan policy. The Etude study indicates that build cost increases from the proposed policy options are minimal, as the premium for lower-carbon materials is largely offset by material quantity savings.
- 4.77 The costs of each specification were estimated in the Etude study using cost data from recent projects within London and are presented in Q2 2025 prices. In some instances, the lower carbon solution is shown to be less expensive than the higher carbon alternative in the Etude study. This may be due to the saving in material quantities following a design optimisation to reduce the quantity of concrete or steel in the building structure, or a specification that is both lower carbon and lower cost, such as ceiling or floor finish options.
- 4.78 Mace Consult's benchmark costs reflect current London Plan requirements and do not include these emerging policy costs. A more detailed cost assessment will be undertaken in Phase 2 of the LPVS.

Urban Greening Factor (UGF)

- 4.79 The Draft London Plan proposes to retain the existing Urban Greening Factor (UGF) policy from the 2021 London Plan and extends it to industrial developments. A review of how UGF has been implemented across a series of case study schemes shows that meeting UGF requirements can be achieved in a variety of ways including green roofs, tree planting and soft landscaping.
- 4.80 Mace Consult's benchmark costs data has been taken from residential schemes which would have complied with the existing UGF requirements of the 2021 London Plan. Therefore, the adoption of the benchmark costs cases in the study, coupled with the adopted external works allowances in the study's appraisals would appropriately account for meeting UGF requirements.
- 4.81 The study's appraisals of industrial typologies include external works allowances which would reasonably allow for UGF requirements to be accommodated. Initial evidence from recent industrial and data centre schemes suggest that urban greening measures can be delivered without significant viability constraints. The costs of meeting UGF for industrial schemes may be further reviewed as part of the LPVS Phase 2 report.

Open Space Provision

- 4.82 The LPVS development typologies incorporate levels of open space provision considered appropriate for the typology's density, with assumptions based on a review of referable planning applications. Higher levels of open space provision have been assumed for typologies representing strategic Green Belt release sites to reflect the openness and character of potential Green Belt sites.

Sustainable Urban Drainage Systems (SuDS)

- 4.83 The Draft London Plan sets out a requirement to comply with the relevant greenfield runoff rates for referable applications, and for all schemes to include mechanisms for on-site water capture. Where on-site Sustainable Urban Drainage Systems (SuDS) cannot be accommodated, the draft policy seeks a financial contribution towards off-site SuDS provision. The GLA commissioned AECOM to review a small sample of development case studies which did not meet greenfield runoff rate requirements and advise upon the indicative offset costs for the purpose of the LPVS modelling.
- 4.84 Whilst it was noted that the sample size was very limited, the analysis identified indicative cost per unit ranges from approximately £1,300 to £2,500, with the variation influenced by both site density (dwellings per hectare) and the scale of the storage shortfall relative to policy requirements.

- 4.85 As part of the LVPS, a SuDS off-site financial contribution of £2,000 per residential unit was adopted for a single development typology.

Transport policies:

- 4.86 A summary of Draft London Plan's transport related policies and how these have been addressed in the LPVS is set out below.

Car Parking provision

- 4.87 In line with existing London Plan policy, an assumption has been made that the majority of the study's development typologies would be car free with provision of spaces only for disabled persons. Provision of on-site car parking has been predominantly accommodated at podium levels with additional external parking for lower density typologies. Only two very high density development typologies, both located in Value Band B, incorporate basement parking for market and disabled users.
- 4.88 The costs associated with the provision of internalised car parking located in podiums (and basements for very high density development in Central London) is assumed to be already accounted for within the build cost benchmarking rates provided by Mace Consult. The external works allowances included in the appraisals are intended to cover the costs associated with external car parking provision.

Cycle storage provision

- 4.89 The LPVS has relied upon the amended cycle storage requirements set out in the Mayor's Supporting Housebuilding LPG (March 2026) to derive cycle storage allowances for the study's development typologies.
- 4.90 Mace have advised that an allowance of £2,800 per space would be appropriate for internal ground floor cycle storage with communal access, fitted out finishes with two-tier racking systems. They have further advised that for external covered and lockable cycle storage, a typical cost range per space would be £1,200 - £1,500 per space (including some hard landscaping and associated works costs). In relation to external covered cycle storage which is not lockable, typically taking the form of standard Sheffield stands which can store two cycles, Mace have advised that an installation cost of approximately £200 per stand would be appropriate, resulting in a cost of £100 per space.
- 4.91 Mace's benchmark costs data has been taken from schemes delivering policy-compliant internal cycle storage and are therefore assumed to already capture these costs. External cycle storage costs are considered to be accommodated within external works allowances. Cycle storage costs may be subject to further review in the LPVS Phase 2 report.

Overview of appraisal inputs

- 4.92 The development value input assumptions, which include market sales values, affordable housing values and commercial/non-residential values vary according to each Value Band and as such, they are set out individually within the appraisal input overview section of each Value Band chapter.
- 4.93 The construction costs adopted in the LPVS have been advised by Mace Consult based upon construction cost benchmarking data rebased to Q2 2026 price levels, using the BCIS All-in Tender Price Index. These also vary according to each Value Band and are set out in the overview section for each Value Band chapter.
- 4.94 The following development cost inputs assumptions are adopted uniformly across the study's six Value Bands. However, where specific adjustments are made to reflect a particular development typologies or Value Band, these are specifically identified.
- 4.95 These assumptions have been informed by the GLA's review of financial viability assessments submitted for referable planning applications following the London Plan's Viability Tested Route, as well as a review of area-wide viability evidence supporting London borough Local Plans and Community Infrastructure Levy (CIL) Charging Schedules prepared within the last five years.

Demolition Rates

- 4.96 The demolition rates adopted in the study have been based on broad assumptions of the levels of existing floorspace for site typologies which would be demolished through redevelopment. Mace Consult have advised that typical demolition costs generally fall within the range of £150-£250 per square metres on existing GIA for standard low to mid-rise residential and office buildings (see appendix 1).
- 4.97 Further, they advised that demolition costs, when expressed relative to proposed development, equate to an average allowance of circa £37psm of proposed GIA across the benchmark projects. As demolition costs are typically site specific, in the context of this study as an area wide assessment, it is considered reasonable to apply the £37psm rate to the typologies' proposed GIA to ensure that a consistent approach is adopted across the study.

External Work Allowances

- 4.98 External works account for the costs of providing hard and soft landscaping, as well as public realm, external car parking and site-wide services.

- 4.99 The external works allowances adopted in the study's appraisals vary by typology density. Analysis of itemised cost plans of referable planning applications illustrates that the external works typically form a lower proportion of total build costs for higher density developments, and a higher proportion of total build costs for lower density developments.
- 4.100 This is supported by further analysis undertaken by Mace Consult which involved a focused review of external works allowances across benchmarked projects of differing densities. Mace Consult identified a range of 7%-19% with a benchmark average of circa 11% for low density development; and a range of 3%-6% with a benchmark average of 4% for high density schemes (see appendix 1).
- 4.101 The study assumes an external works allowances of 3% for building typologies above 20 storeys and 5% for building typologies ranging between 8-20 storeys. An allowance of 10% for external works has been adopted for medium category residential development typologies (comprising 10-50 units); and an external works allowance of 5% has been adopted for minor residential development typologies (comprising 1-9 units).
- 4.102 A 15% external works allowance has been adopted to account for larger amounts of hard and soft landscaping, public realm, external car parking and site-wide services for all Green Belt development typologies. In all cases, the relevant external works allowance has been applied to the total base build costs of the development typology.
- 4.103 For commercial uses, an allowance of 5% for external costs has been made in relation to low density office typologies, and a 2.5% allowance adopted for high density office typologies.

Abnormal Costs allowance

- 4.104 The LPVS incorporates an allowance to account for abnormal costs that may arise on development sites. This is a conservative approach given that Mace Consult have advised that their benchmarking cost data may already include some abnormal cost elements.
- 4.105 For all major and medium development typologies on brownfield sites, an abnormal costs allowance of 1% has been applied to the base build costs, external works and demolition costs. A 0.25% abnormal allowance has been adopted for Green Belt development typologies to reflect the typically lower levels of abnormal costs that are likely to incur in Green Belt sites e.g. decontamination and demolition.
- 4.106 Further, a slightly higher 1.5% abnormal costs allowance has been applied to minor development typologies to reflect their smaller scale.

Professional Fees Allowance

- 4.107 A professional fees allowance of 10% has been adopted across all appraisals, this is applied to the base build costs, demolition costs, external works allowance, and the abnormal costs allowance. A 10% professional fees allowance is in line with most of the financial viability assessments reviewed by the GLA, and in line with recent London Borough area-wide viability assessments. Mace Consult have also confirmed that the adoption of a 10% professional fees allowance in the LPVS is reasonable.

Contingency Allowance

- 4.108 Notwithstanding that the NPPG only references an allowance for contingency costs in the context of site-specific FVAs and not area-wide testing, the LPVS adopts a 5% contingency allowance which has been applied to the base build costs, demolition costs, external works allowance, and the abnormal costs allowance in each appraisal. While a 5% contingency allowance is considered typical in site-specific viability assessments and has been confirmed by Mace to be reasonable, it is considered to be a conservative assumption for the purpose of this study to apply contingency to a wide range of development costs (base costs, demolition, externals and abnormal costs).³⁷ This assumption will be reviewed as part of phase 2 of the LPVS.

Community Infrastructure Levy (CIL)

- 4.109 A review of the MCIL2 Charging Schedule and Local CIL Charging Schedules of each Local Planning Authority in London has informed the MCIL2 and Borough CIL rates per Use Class adopted for each value band in the study. These are outlined within the appraisal input section of each Value Band chapter, and further details of the methodology are set out in Annex 4. It is noted that the adopted MCIL2 and Borough CIL rates do not assume any relief for demolished existing floorspace, which is a conservative assumption that may overstate costs in a range of testing scenarios. This will be reviewed in Phase 2 to ensure that the assumptions are realistic.

Building Safety Levy (BSL)

- 4.110 The government's Building Safety Levy (BSL) was introduced to contribute to costs of rectifying building safety defects in England. The relevant legislation for operation of the BSL is the Building Safety Levy (England) Regulations 2025 and is expected to come into force on 1 October 2026.

³⁷ See additional supplementary analysis set out in Annex 12.

- 4.111 The costs associated with the BSL varies across London Boroughs and whether a site is on brownfield land or greenfield land. The BSL levy rates adopted for each value band in the LPVS are informed by a review of the prescribed BSL rates for each London Borough. Further details of the methodology are set out in Annex 4.

Financial S106 and S278 costs

- 4.112 Table 8 below sets out the allowances for S106 and S278 financial contributions adopted in the LPVS. These may include on or off-site infrastructure, works or other measures to help ensure that the development is acceptable in planning terms in line with CIL Regulation 122.
- 4.113 It is worth noting that these allowances are applied to all developments including minor and medium development typologies, which is a conservative assumption as smaller scale developments typically attract lower levels of S106 and S278 contributions.

Table 8 - S106 & S278 cost assumptions

S106 & S278 rates	Rates
S106 Costs per Resi Unit	£5,500
S106 Costs per PBSA/PBSL Unit	£4,000
S106 Costs per Comm GIA sqm	£25
S106 Costs per Office GIA sqm	£175
S278 Costs per Resi Unit	£1,250
S278 Costs per PBSA/PBSL Unit	£1,000
S278 Costs per Comm GIA sqm	£25

Finance Rate

- 4.114 In line with standardised financial viability assessments for planning purposes, the LPVS assumes 100% debt financing (i.e. money is borrowed in respect to all development costs including land cost). An interest rate of 7% has been adopted within the study's appraisals for testing purposes. This assumption will be reviewed as part of the Phase 2 report.

Development programme: Construction periods and sales rates

- 4.115 The pre-construction and construction periods adopted in the appraisals vary according to development typology. These are based on a review of development programmes outlined in financial viability assessments for comparable schemes as well as construction and phasing programmes set out in submitted Environment Statements for a number of case

study schemes in London. Additional analysis of schemes build out rates based on a review of monitoring data and the Molior platform was also used to inform assumptions.

- 4.116 An assumption of 60% off-plan sales and a post practical completion sales rate of 6 units per month have been adopted for large major residential development typologies in Value Bands B and C, echoing GLA analysis that sales rates have been stronger in those locations for larger higher density schemes. An assumption of 50% off-plan sales and a post practical completion sales rate of 4 units per month have been adopted for major residential development typologies in value bands D, E and F. These assumptions have been informed by off-plan and post practical completion sales rates adopted in recent site-specific and area-wide viability assessments reviewed by GLA officers.
- 4.117 It is acknowledged that the adopted sales rates are optimistic in light of the low sales rates observed in the current market due to affordability constraints, lack of demand side stimulus such as Help to Buy, as well as the wider political and economic uncertainty. However, as recognised in many area-wide viability assessments, markets are cyclical in nature and sales rates vary over economic cycles. As the London Plan is a 20-year spatial development strategy and will operate across economic cycles, the viability modelling undertaken as part of the LPVS should reflect the longer-term trend rather than the short term.
- 4.118 In terms of residential investment typologies (e.g. BTR, PBSA and PBSL), those assets are assumed to be disposed at a single investment at practical completion, rather than disposed as individual units throughout the sales period.

Development programme: Affordable housing revenue

- 4.119 Registered Providers (RPs) typically contract with developers early in the development programme and acquire the affordable units secured within a scheme. This allows for a forward funding of affordable housing which supports the project cashflow.
- 4.120 To reflect this typical arrangement in the study, affordable housing revenue has been profiled in appraisal cashflows across the construction period, with 25% of revenue received at the start of construction and the remaining 75% received in equal monthly tranches across the construction period.

Development programme: Grant funding

- 4.121 The study's appraisals for major residential development typologies have been modelled to include GLA grant funding as an additional revenue. Current Accelerated Funding Route (AFR) grant rates are adopted as a baseline and set out in the table below.

Table 9 - Accelerated Funding Route Grant Rates Summary

Affordable Housing Tenure	Grant rate per unit
Social Rent	£220,000
London Shared Ownership	£70,000
Intermediate Rent (where rents are above London Living Rent benchmarks)	£90,000
Key Worker Living Rent (or intermediate rent where rents are at or below London Living Rent benchmarks)	£140,000

- 4.122 In all cases, 10% of all units are assumed to be nil grant, with the remaining affordable housing units being counted as eligible for receiving grant funding.
- 4.123 Grant funding has been profiled in appraisal cashflows on the basis of the first tranche of grant funding (75%) being received at the start of construction, and the remaining 25% being received at the end of the construction period.

Development programme: CIL, S106 and S278 costs

- 4.124 It is acknowledged that many London LPAs operate CIL instalment policies which allow developers to spread the cost of Borough CIL payments over prescribed periods. The Mayor of London also operates a CIL instalments policy for MCIL2. In addition, the CIL regulations allow for the phasing of payments for phased schemes, and Boroughs may also accept S106 contributions on a phased basis. However, viability appraisals in the study have profiled MCIL2, Borough CIL, financial S106 construction and financial S278 costs to be fully incurred as development costs at the start of construction, which is a conservative assumption and has the effect of significantly increasing the cashflow impact and finance costs associated with these contributions. We reserve our position to review and adjust this assumption in the Phase 2 report.
- 4.125 Appraisals for the major residential typologies also model on indicative Borough CIL relief as a sensitivity alongside GLA grant funding to identify the impact of these measures on viability in different circumstances. This sensitivity is representative of the potential for moderation in CIL and also a CIL in-kind approach. The indicative Borough CIL relief has been modelled on the basis of an 80% reduction on the calculated CIL amount.

Marketing Fees

- 4.126 The appraisals adopt a marketing fee of 2.5% of market housing GDV in Value Bands A and B, and an allowance of 1.5% of market housing GDV in Value Bands C to F. These assumptions have been informed by a review of site-specific viability assessments and area-

wide viability assessments. The higher allowance adopted in Value Bands A and B accounts for the higher market price point and the higher sales rates for these areas.

Residential (Build for Sale) disposal fees

- 4.127 The appraisals adopt a Sales Agent Fee of 1.5% of market housing GDV and a Sales Legal Fee of 0.25% of market housing GDV. These assumptions have been informed by a review of site-specific viability assessments and area-wide viability assessments.

Residential (Investment) disposal fees

- 4.128 In respect to residential investment typologies which comprise Build to Rent, PBSA and PBSL, the LPVS appraisals adopt a Sales Agent Fee of 0.75% of GDV and a Sales Legal Fee of 0.25% of GDV. These assumptions have been informed by a review of site-specific viability assessments.

Purchaser's Costs

- 4.129 Purchaser's costs allowances have been made in appraisals for commercial, non-residential and residential investment floorspace. A purchaser's cost allowance of 6.8% of commercial GDV has been adopted for commercial and non-residential floorspace which reflects a standard industry assumption.
- 4.130 A purchaser's cost allowance of 3% of residential investment GDV has been adopted for Build to Rent, PBSA and PBSL components, reflecting that these types of developments are typically brought forward via a Special Purpose Vehicle (SPV). The use of SPV allows for significant savings in stamp duty land tax as a result of the transactions being based upon the company rather than the asset itself.

Commercial/non-residential letting fees and disposal costs

- 4.131 For commercial/non-residential uses, appraisals adopt a letting agent fee of 10% and a letting legal fee of 5%, both of which are applied to the first year's rent reflecting a standard industry assumption.
- 4.132 The appraisals further adopt a commercial sales agent fee of 1% of commercial GDV and a sales legal fee of 0.5% of commercial GDV.
- 4.133 These assumptions have been informed by a review of site-specific viability assessments and area-wide viability assessments.

Land acquisition costs

- 4.134 The appraisals adopt a stamp duty land tax allowance of 5%, a sales agent fee of 1.2% and a sales legal fee of 0.6%, all of which are applied to the gross residual land value. These allowances for land acquisition costs are commonly adopted in financial viability assessments for planning purposes and are considered appropriate for area-wide viability testing purposes.

Developer profit

- 4.135 The developer returns adopted for the study have been informed by a review of site-specific and area-wide financial viability assessments and are considered reasonable for the purposes of conducting an area-wide financial viability assessment.

Table 10 – Adopted developer profit assumptions

Development Type	Developer Profit Allowance (% of GDV)
BfS Market Housing (1-10 units)	15%
BfS Market Housing (11 units or more)	17.5%
BfS Market Housing (30-storeys and above)	18.5%
Affordable Housing	6%
Build to Rent (BTR)	15%
PBSA & PBSL	15%
Commercial/Non-residential uses	15%

- 4.136 For typologies which have more than one component, the appraisals adopt a blended developer profit to reflect the appropriate profit allowance for that typology. For BTR typologies, based on a review of site-specific and area-wide financial viability assessments, it is generally considered that the appropriate target profit ranges between 12.5-15% on GDV. While the LPVS adopts 15% on GDV for the BTR components in Phase 1, it is considered that a lower profit allowance of 12.5% on GDV would be more appropriate to reflect the development risks of BTR delivered on a forward-funded basis. This assumption will be reviewed as part of the Phase 2 report.

Benchmark Land Values

- 4.137 In line with the NPPG, the Benchmark Land Values (BLVs) adopted in the LPVS have been derived in accordance with the Existing Use Value plus premium (EUV+) approach. The EUV+ approach establishes the BLV based on the existing use value (EUV) of the land plus a

premium for the landowner, which should reflect the minimum return at which a reasonable landowner would be willing to sell their land.³⁸

- 4.138 The EUV is the first component of the BLV and reflects the value of the land in its existing use, disregarding any hope value.³⁹ The landowner's premium (the 'plus' in EUV+) is the second component and represents the amount above the EUV that incentivise a landowner to release land for development while allowing a sufficient contribution to fully comply with policy requirements.⁴⁰
- 4.139 In line with the standard approach in area-wide financial viability assessments, BLVs in the LPVS are based upon the site typology component of development typologies, which serves as the proxy for an existing site which could be redeveloped to deliver the scheme typology.
- 4.140 The site typologies, partnering a relevant development typology, were informed by an analysis of a range of planning applications, Borough Site Allocations and the London SHLAA to understand the existing use composition and characteristics of the potential development land pipeline over the Plan period.
- 4.141 Following the formulation of the site typologies, EUV data was compiled and categorised according to site area, existing land use, existing GIA floorspace and the relevant postcode area to produce a database. The underlying data are sourced from referable planning applications that has progressed through the Viability Tested Route alongside smaller non-referable schemes identified through LPA websites and Molior. To ensure consistency between the EUV data and viability modelling undertaken in each Value Band area, these are aligned with the LPVS Value Band areas via postcode.
- 4.142 From the database, appropriate EUV assumptions were assigned to individual scheme typologies. When establishing these assumptions, adjustments were made to reflect differences in site size and the quantity of assumed existing floorspace. The EUV assumptions are also sense-checked against other comparable site EUVs within the wider dataset and through high-level cross-checking against values derived from assumed rents and yields appropriate to the existing use. In some cases, the analysis indicated that a development typology could come forward on two or more different types of sites with different EUVs. In these cases, two or three EUV assumptions were tested to reflect the range of potential site typologies and existing use.

³⁸ See NPPG (Viability) Paragraph 014 Reference ID: 10-014-20190509

³⁹ See NPPG (Viability) Paragraph 016 Reference ID: 10-016-20190509

⁴⁰ See NPPG (Viability) Paragraph 017 Reference ID: 10-017-20190509

- 4.143 In respect to the landowner premium, the NPPG is clear that for plan-making, the landowner premium should be tested and balanced against emerging policy requirements.⁴¹
- 4.144 The LPVS Phase 1 testing applies a 20% landowner premium above EUV for most site typologies, allowing this assumption to be tested and balanced against the emerging policies of the Draft London Plan. Whilst this assumption is consistent with a number of Local Plan Viability Studies across London, it may not be appropriate to apply a 20% premium to every typology tested. The GLA therefore reserves the right to review this position and, where justified, adjust the landowner premium applied to specific typologies as part of the Phase 2 report.
- 4.145 A 20% landowner premium has not been applied to the study's supermarket site typologies as the value of the existing uses is not lost through redevelopment, as the supermarket floorspace is re-provided within the development. Therefore, the landowner premium is already accounted for through the re-provision of an income generating asset. In addition, a 20% premium is not applied to existing large office buildings in high value areas, as analysis of transactional evidence indicated that these are likely to have incorporated hope value based on redevelopment potential. A 20% premium was not applied to existing dwelling houses in the viability testing, as landowner expectations would largely be guided by the site's EUV.
- 4.146 A nil premium above EUV has been assumed within the greenbelt viability testing as a starting point as any premium above EUV can only be realised through compliance with the NPPF's Golden Rules and the policies of the Draft London Plan. Viability testing of greenbelt development typologies indicates that residual land values reflecting emerging policy requirements can generate significant uplifts above EUV; however, the residual land values themselves are largely generated by public subsidy interventions demonstrating that landowner premiums above EUV in greenbelt locations will be driven by public sector interventions in the form of Plan-led strategic release and supporting public subsidy interventions.
- 4.147 An overview of the EUV and BLV assumptions adopted within the LPVS is set out in Annex 5.

Adopted growth assumptions in the viability testing

- 4.148 The LPVS adopts growth modelling in all multi-phased development typologies. This takes into account changes in both values and costs over the lifetime of the development and

⁴¹ See NPPG (Viability) Paragraph 015 Reference ID: 10-015-20190509

ensures that the viability testing of longer-term development appraisals is realistic. This is consistent with the principles set out in RICS Professional Standard ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’, which recommends for changes in values and costs to be reflected in viability assessments as “Simply using current costs and values, and ignoring changes over the life of a development, can distort the analysis in all but the simplest of cases.”⁴²

4.149 The table below outlines the growth assumptions adopted in the LPVS. These assumptions have been informed by a review of current market forecasts (see tables 3, 4 and 5).

4.150 The affordable housing value growth forecasts have been informed by a review of Office for National Statistics Data which showed a general trend of an annual average CPI rate of 3% over 10, 15 and 20 year periods. An assumption of 3% per annum increase in CPI plus 1% informed the growth rates applied to affordable housing.

4.151 In addition to the sales value growth rates set out in the below table. The viability testing of multi-phased development typologies also incorporates an additional 1% per annum sales value growth rate to account for a placemaking premium. The placemaking premium has been applied in the appraisals following the delivery of the first phase of development. The placemaking premium was informed by GLA officers’ research (see Annex 7)

Table 11 – Adopted growth assumptions for multi-phased development typologies

	2026	2027	2028	2029	2030	2030 onwards
Inner London Residential sales growth forecasts (Value Bands A – C)	0.00%	1.00%	3.00%	4.00%	5.00%	5.00%
Outer London Residential sales growth forecasts (Value Bands D – F)	1.00%	2.00%	3.00%	4.00%	5.50%	5.50%
Pan-London Market Rental Growth (Value Bands A – F)	2.50%	2.50%	3.00%	3.50%	3.50%	3.50%
Affordable Housing Value Growth (Value Bands A – F)	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Build Cost inflation (Value Bands A – F)	4.50%	4.00%	4.00%	3.50%	3.00%	3.00%

⁴² See paragraph 4.1.5 of the RICS Professional Standard ‘Assessing viability in planning under the National Planning Policy Framework 2019 for England’

Alternative Delivery Models

- 4.152 It is clear that, in order to significantly increase housing delivery in London and meet the capital's ambitious housing targets, there is a need to strategically deploy alternative delivery models for large-scale housing developments.
- 4.153 These alternative delivery models would be initiated by the public sector, but would also leverage the expertise and capacity of the private sector to deliver market, affordable and mixed tenure housing. Alternative delivery models offer the opportunity to de-risk strategic development sites, particularly in terms of planning and access to public subsidy, while embedding greater resilience to support housing delivery across varying market cycles, and creating the conditions necessary for inward investment.
- 4.154 It is considered that alternative delivery models have the capacity to bring forward large and medium scale strategic development sites which contribute strongly to the development of a resilient housing delivery pipeline across market, affordable and mixed tenure housing.

Current and emerging mechanisms to support delivery

- 4.155 The use of a Mayoral Development Order (MDO) or Local Development Order (LDO) has the potential to play a significant role in helping to bring forward strategic sites for development. The use of an MDO or LDO can enable the grant of a planning permission for a masterplan in a manner similar to outline planning permission. This can significantly reduce planning risk from the development process and provide upfront certainty in respect of key development parameters which serves to provide the clarity to support inward investment.
- 4.156 Public sector oversight can also enable access to various forms of public subsidy to support affordable housing delivery, such as grant funding and low-cost finance.
- 4.157 The City Hall Developer Investment Fund (CHDIF) is intended to play an interventionist role in supporting the delivery of affordable homes across London, principally through deploying public subsidy directly to Registered Providers. It is considered that CHDIF could also play a significant role by acting in the capacity of a master developer in the context of MDO/LDO facilitated masterplans.
- 4.158 The use of Land Assembly Zones (LAZs) has been considered by the GLA as a mechanism for assembling land to enable large-scale strategic development. The designation of LAZ status for an area would signal to landowners to proactively assemble their land parcels to enable a holistic masterplan to be brought forward. Landowners could be incentivised to do so on the prospect of 'marriage value' which could only be realised through optimising the

potential of the masterplan scheme. Under the LAZ model, the use of Compulsory Purchaser Order (CPO) powers acts as a deterrent where landowners fail to engage in land assembly proactively.

- 4.159 An MDO or LDO facilitated masterplan could also be delivered by a number of different developers and RP partners, allowing the expertise and specialisms of different developers to be drawn upon, to diversify housing tenures, support absorption rates and build out whilst also simultaneously de-risking both sales and delivery risk, through risk share apportionment across the masterplan.
- 4.160 The potential for the deployment of alternative delivery models in respect to public land sites, strategic sites arising from Plan-led industrial and employment land release and strategic sites arising from Plan-led Green Belt release is considered further below. Indicative viability modelling of alternative delivery models in respect to strategic site typologies has been undertaken as part of the LPVS, with the results set out alongside wider appraisal testing results.

Public sector land

- 4.161 The delivery of new housing on public sector land offers a unique strategic opportunity to increase housing supply, particular the delivery of genuinely affordable housing, and also supporting timely build out.⁴³
- 4.162 Where a public body seeks to redevelop land in its ownership through a joint venture (JV) with a development partner, this can offer the opportunity to draw upon different forms of public subsidy to deliver higher levels of affordable housing and support wider scheme delivery.
- 4.163 Where a public body disposes of surplus public sector land, this creates an opportunity for future redevelopment to make a significant contribution to affordable housing delivery.
- 4.164 It is considered that where surplus public land is being disposed by a public body, an RP-led JV with a development partner, or a public sector led JV should be given a right of first refusal to acquire the site.
- 4.165 One potential model is the use of public subsidy in the form of a low interest loan to facilitate site acquisition through a first refusal process. For example, the Mayor's City Hall Developer Investment Fund (CHDIF) could acquire the site through a Special Purpose Vehicle (SPV), with the land cost forming the basis of a development loan to a future developer. This approach removes the land cost risk from the developer and enables the

⁴³ This is supported by GLA research outlined in Annex 6.

loan (land cost plus interest) to be repaid either at completion of the whole scheme, or it could be repaid in tranches at agreed points in the delivery programme.

- 4.166 On this basis, the public sector development body (such as the CHDIF) would remain the freehold of the site whilst providing long-term public sector stewardship. This approach also allows for the granting of building leases to provide greater control over build out rates and delivery. The public sector development body overseeing the project would appoint an RP-led JV with a private sector developer acting as a construction contractor to submit a planning application and secure planning permission, and deliver the consented development. The RP leading the development would also be able to draw upon other forms of public subsidy including grant funding and low interest loans to support delivery.
- 4.167 This approach would also require proactive forward planning by a Local Planning Authority (LPA) prior to sale of a strategic site via a first refusal process. This would involve engagement with public sector landowners to understand land supply availability; and preparation of Development Plan Documents (DPDs) or Local Plan review and site allocations to guide future development. An MDO or LDO could also be utilised as part of this process.
- 4.168 This model has already been used in London to upscale housing delivery on strategic sites that were disposed of by public sector bodies.

De-designated industrial land and other strategic sites

- 4.169 De-designated industrial land and other large sites (such as retail parks and former employment parks), where they are well connected to public transport or where there is potential for future transport accessibility improvements, offer a significant strategic opportunity to deliver housing through the development of new high density urban villages. However, the viability modelling undertaken in this study indicates that these types of sites currently face significant viability constraints, particularly in Outer London. Therefore, alternative delivery models will be required to bring forward development on these sites.
- 4.170 An alternative delivery model approach which could be employed to deliver housing on these strategic sites would involve the use of an MDO or LDO to establish a masterplan consent. Landowner engagement would allow candidate sites to be identified for future designation of an MDO or LDO, with an options agreement put in place to allow a public development body (such as the CHDIF) to acquire the site from the landowner upon successful grant of the MDO or LDO.
- 4.171 The acquisition of the site following a grant of planning permission through an MDO or LDO would be undertaken by a public sector development body employing the use of a

SPV, thus removing the land cost risk for a future developer and replacing it with a low interest rate bearing loan, which could be repaid in stages over the development programme. The MDO or LDO would set out the parameters of the masterplan, allowing for different components to be delivered by different developers and providing greater certainty to attract inward investment.

- 4.172 As the grant of a planning permission for a site through an MDO or LDO would create an uplift in land value, a further option to support viability would be for the public sector development body to be granted a GDV equity stake in the scheme, which would be tied to specific components or plots within the masterplan, such as affordable housing or Build to Rent components.
- 4.173 The use of low interest bearing equity as part of the wider 'Capital Stack' would allow for low cost financing to improve development viability in early phases, and supporting early affordable housing delivery. It would also reduce the total finance costs of the scheme, thereby supporting the generation of a land value in excess of existing use value. The public sector development body's equity stake could later be staircased out of the scheme as completed components (including affordable housing and build to rent) are sold to RPs or institutional investors, or through earlier forward funding arrangements.

Strategic Plan-led Greenbelt release

- 4.174 The viability analysis undertaken in this study demonstrates that in order to fully realise the aspirations of Greenbelt release set out in the NPPF, Draft NPPF and Draft London Plan, strategic greenbelt release will need to be delivered through public sector led alternative delivery models.
- 4.175 While viability analysis shows that whilst there is a significant uplift in land value from greenfield land to residential use, the comparatively lower sales values in greenbelt locations mean that these alone are not sufficient to support development viability, and significant amounts of public subsidy are required to deliver the NPPF's and the new London Plan's aspirations for greenbelt release.
- 4.176 It is evident that land value uplifts need to be synthesised over time through high quality urban design, placemaking, and public transport interventions. In practice, this means there's a need for upfront capital to fund enabling infrastructure, and the costs for this to be subsequently recouped using a toolkit of land value capture mechanisms.
- 4.177 In respect to Development Plan led release of strategic greenbelt land for urban extensions and New Towns, it is considered that there is a need for a long-term public sector stewardship to guide and support these developments.

- 4.178 It is recognised that landownership can often be fragmented in greenbelt locations, therefore, a Land Assembly Zone (LAZ) coupled with an MDO or LDO may be needed to help facilitate strategic greenbelt release in some cases. In these circumstances, landowners would be incentivised to collaborate in assuming sites in order to realise the marriage value associated with the use of an MDO or LDO to create a masterplan consent, which would only take place once the land had been fully assembled.
- 4.179 A public sector development body (such as the CHDIF) would acquire the site following land assembly and the grant of consent through the use of an MDO or LDO. The public development body would serve a master developer role, drawing upon public subsidy such as grant funding and low-cost finance to support the delivery of the masterplan.

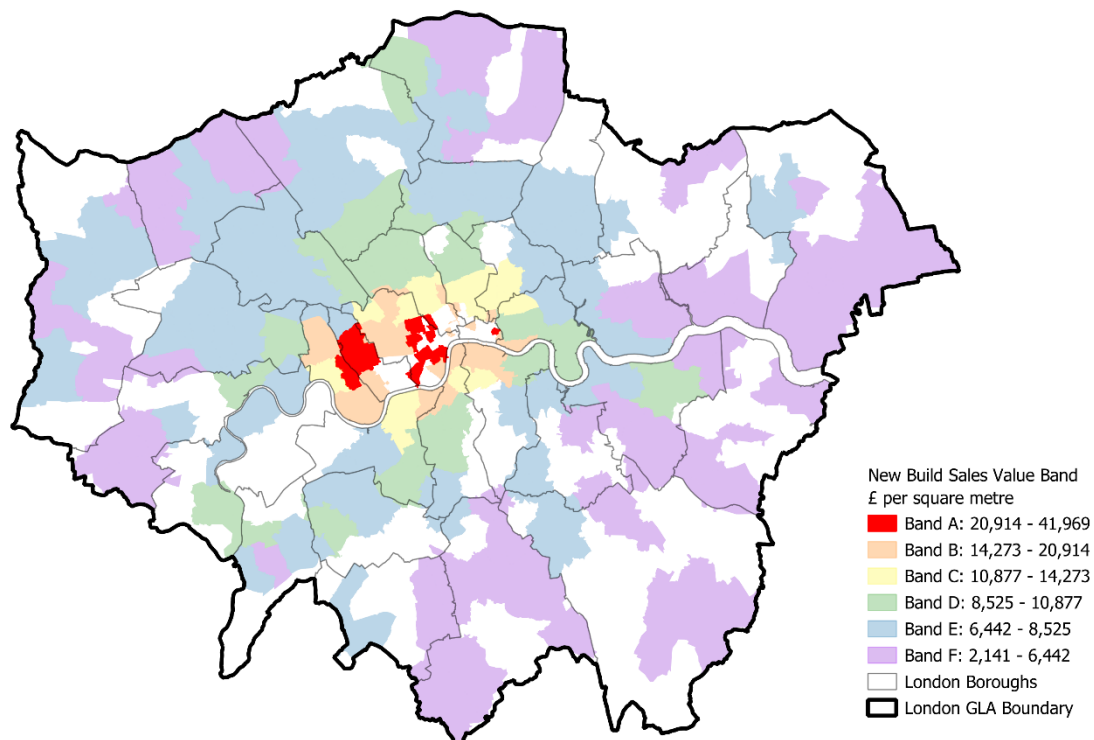
Mixed residential/living tenure schemes

- 4.180 The LPVS models the viability of a number of strategic scale development typologies which incorporate a mix of Build for Sale housing, Build to Rent (BtR) housing, affordable housing tenures, Purpose-Built Student Accommodation (PBSA) and Purpose-Built Shared Living (PBSL). These schemes can allow for a forward funding of the investment led components (e.g., BtR, PBSA and PBSL) and affordable housing tenures, thereby improving cashflow and reducing exposure to market sales risk. PBSA and PBSL are also relatively high value optimised uses and can make a stronger contribution to development value, and provide cross-subsidy to support affordable housing delivery and the overall scheme viability. A greater tenure diversity also supports stronger absorption rates and timely built out. This approach to tenure diversity is increasingly being adopted on key strategic sites in London and supported in principle by the NPPF (2024).⁴⁴
- 4.181 The LPVS models an allowance of up to 20% of total scheme residential Net Internal Area (NIA) floorspace to be PBSA and PBSL, which does not attract their own affordable student accommodation or affordable housing requirements, enabling this proportion of floorspace to be delivered on a wholly market basis. This allows the PBSA and PBSL components to play a greater role in generating development value and supporting cross-subsidy for conventional Class C3 affordable housing provision.

⁴⁴ See NPPF (2024) Paragraph 71

5. VALUE BAND A – OVERVIEW & ANALYSIS

Map 2: Value Band A



Introduction

- 5.1 Value Band A comprises the highest residential sales value locations in London, concentrated in the core areas of Central London and the Central Activities Zone.
- 5.2 An analysis of residential development activity in Value Band A indicates that the majority of development are small-scale and typically less than 50 residential units. Further analysis of planning applications and housing delivery in this Value Band indicates that it is common for small-scale developments to come forward through permitted development rights, such as the conversion of secondary office floorspace to a small number of residential dwellings.
- 5.3 For Value Band A, the LPVS models three medium category residential development typologies. BTR, PBSA or PBSL typologies have not been modelled in this Value Band, as these typologies are not anticipated to form a significant component of the development pipeline, mainly due to the market price points within Value Band A. The viability analysis for office typologies modelled in Value Band A is set out in Annex 8.

Development typologies

- 5.4 Table A.1 below outlines the residential development typologies modelled in Value Band A. More detailed breakdowns of all typologies can be found in Annex 3.

Table A.1: Band A - Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_A	420	New-build block providing 10x residential units	6	10	1,449	N/A
MED_RES_2_A	875	New-build block providing 20x residential units	5	20	2,835	N/A
MED_RES_3_A	875	New-build block providing 40x residential units	5	40	5,670	N/A

Modelling Input Tables

- 5.5 This section sets out the appraisal input assumptions specific to Value Band A.
- 5.6 Table A.2 presents the sales value assumptions adopted for each benchmark unit type adopted in the development typologies modelled in Value Band A. The mid-point sales values are highlighted in bold. The table also outlines the range of sales value permutations derived from applying incremental increases and decreases of 5%-10% to the mid-point values. This approach reflects the wide range of residential sales value observed across the value band, allowing for viability testing to account for the wider variation in the residential market within the spatial area.

Table A.2: Band A – Market Housing Sales Values

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£882,000	£931,000	£980,000	£1,029,000	£1,078,000
1B2P	60	646	£1,332,000	£1,406,000	£1,480,000	£1,554,000	£1,628,000
2B4P	95	1,023	£2,272,500	£2,398,750	£2,525,000	£2,651,250	£2,777,500
3B6P	150	1,615	£4,500,000	£4,750,000	£5,000,000	£5,250,000	£5,500,000
1B2P WC	60	646	£1,332,000	£1,406,000	£1,480,000	£1,554,000	£1,628,000
2B4P WC	95	1,023	£2,272,500	£2,398,750	£2,525,000	£2,651,250	£2,777,500
3B6P WC	150	1,615	£4,500,000	£4,750,000	£5,000,000	£5,250,000	£5,500,000
3B6P 3-storey Townhouse	136	1,464	£3,708,000	£3,914,000	£4,120,000	£4,326,000	£4,532,000
Indicative average blended sales value per square metre			£24,972	£26,359	£27,746	£29,134	£30,521
Indicative average blended sales value per square foot			£2,303	£2,449	£2,578	£2,707	£2,835

- 5.7 The following tables (Tables A.3 – A.4) set out the affordable housing sales value assumptions for each affordable housing tenure within Value Band A.

Table A.3: Band A - Social Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£209,615	£3,677	£341
2B4P	79	850	£216,495	£2,740	£255
3B5P	95	1,023	£225,756	£2,376	£221
3B6P	105	1,130	£221,877	£2,113	£196
1B2P WC	60	646	£209,615	£3,494	£324
2B4P WC	88	947	£216,495	£2,460	£229
3B6P WC	108	1163	£221,877	£2,054	£191

Table A.4: Band A - Key Worker Living Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£309,974	£5,438	£505
2B4P	79	850	£347,984	£4,405	£409
3B5P	95	1,023	£338,474	£3,563	£331
3B6P	105	1,130	£328,999	£3,133	£291
1B2P WC	60	646	£309,974	£5,166	£480
2B4P WC	88	947	£347,984	£3,954	£367
3B6P WC	108	1163	£328,999	£3,046	£283

Table A.5: Band A - Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£95.00	£1,023	24	5.00%	6.8%
Class E Office (Lab enabled)	£100.00	£1,076	24	4.75%	6.8%
Class E Retail	£60.00	£646	12	4.50%	6.8%
Class E Healthcare	£50.00	£538	12	5.25%	6.8%
Class F1 & F2 Use	£50.00	£538	12	5.25%	6.8%

Table A.6: Band A – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights (Cost per square metre)				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£3,420	£3,910	£4,060	£4,660	£5,290

Table A.7: Band A - Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights (cost per square metre)					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£5,430	£5,970	£6,390
Office				£5,040	£5,640	£6,060
Office – Lab enabled				£6,930	£7,620	£8,190
Office - Refurbishment				£3,370	£3,700	£3,980
Retail	£6,700					
Light Industrial	£4,020					
Industrial/wareho using	£1,770					
Data Centres	£7,190			£7,480		
School		£5,510				
Healthcare		£7,070				
Community Centre		£4,870				

Table A.8: Band A – CIL assumed rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£590	£97
Class C2 Market Housing	£590	£97
Class E - Retail GIA	£221	£200
Class E - Office GIA	£221	£224
Class C1 - Hotel	£221	£170

Table A.9: Band A – Building Safety Levy rates (per square metre)

Building Safety Levy Rate	Rate
Brownfield land	£49
Greenfield land	N/A

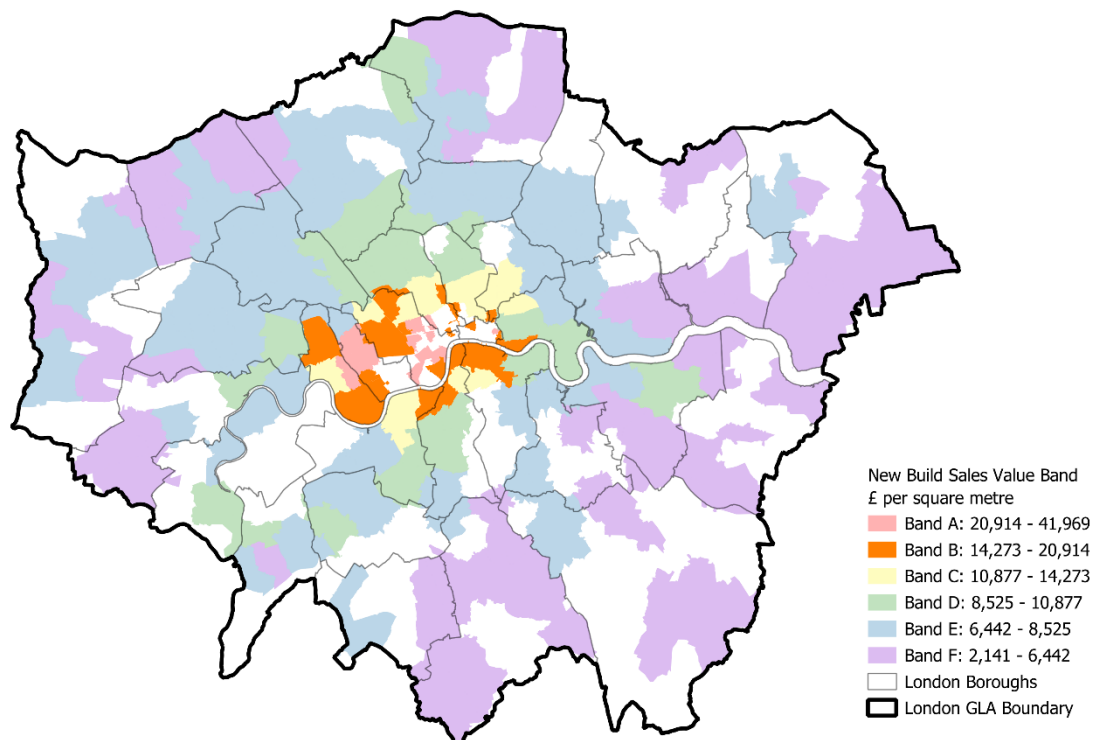
Appraisal Results and Key Findings

Medium Residential Development Typologies

- 5.8 The viability appraisals for the medium residential development typologies in Value Band A model scenarios incorporate 20% and 35% affordable housing at a tenure split of 60% social rent and 40% Key Worker Living Rent. The results are set out in Tables 1.1.1 – 1.3.3 in Annex 1 and demonstrate that development can viably provide the levels of affordable housing contributions tested. It is only where sites are associated with high Benchmark Land Values (arising due to a large proportion of existing residential C3 use floorspace) that viability can become constrained.

6. VALUE BAND B – OVERVIEW & ANALYSIS

Map 3: Value Band B



Introduction

- 6.1 Value Band B represents the second highest residential sales value areas in London. These locations are situated within and around the core areas of Central London including the Central Activities Zone, Bankside and parts of inner west London.
- 6.2 Analysis of residential development in Value Band B indicates that the majority of developments are small and medium scale, with the potential for high-density schemes and PBSA/PBSL developments to come forward in tall building clusters such as Vauxhall/Nine Elms, Elephant and Castle, and Old Street/Shoreditch.
- 6.3 For Value Band B, the LPVS models four minor, three medium, and six major residential development typologies, as well as four PBSA and three PBSL typologies. The viability analysis of office development typologies modelled within Value Band B is set out in Annex 8.

Development Typologies

Table B.1.1 to B.1.5 below outlines the residential development typologies modelled in Value Band B. More detailed breakdowns of all typologies can be found in Annex 2.

Table B.1.1 Band B – Minor Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MIN_RES_1_B	260	4x Terraced 3-storey townhouses	3	4	544	N/A
MIN_RES_2_B	640	Refurbishment and extension to create 8x residential units.	6	8	650	1,209
MIN_RES_3_B	480	New-build residential scheme providing 7x residential units (including office use).	5	7	578	648
MIN_RES_4_B	350	New-build residential scheme providing 6x residential units.	5	6	1,004	N/A

Table B.1.2 Band B – Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_B	350	New-build block providing 10x residential units	5	10	860	N/A
MED_RES_2_B	875	New-build block providing 32x residential units	5	32	2,835	N/A
MED_RES_3_B	875	New-build block providing 42x residential units	7	42	3,654	N/A

Table B.1.3 Band B – Major Residential Development Typologies

Development Typology ID	Site Area (HA)	Description	Storey Height Range	DpHA (Gross)	Total Units	Total PBSA Units (Total PBSL Units)	Total Commercial GIA (sqm)
MAJ_RES_1_B	0.74	Low density residential scheme	5-6	174	129	0 (0)	N/A
MAJ_RES_2_B	0.38	Higher density residential scheme	6-18	639	243	0 (0)	500
MAJ_RES_3_B	0.34	Higher density residential scheme	14-24	976	332	0 (0)	880
MAJ_RES_4_B	0.34	Higher density BtR residential scheme	14-24	974	331	0 (0)	600
MAJ_RES_5_B	1.00	High density residential scheme	18-46	1,159	1,159	0 (0)	1,903
MAJ_RES_6_B	1.50	High density residential-led scheme	12-28	481	722	0 (484)	15,370

Table B.1.4 Band B – PBSA Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSA_1_B	0.66	High density PBSA scheme	26-28	1,166	N/A	N/A
PBSA_2_B_35 % AH	0.38	PBSA & C3 use residential	6-22	470	234	500
PBSA_3_B_25 % KWLR	0.34	PBSA & C3 use residential	8-28	612	67	600
PBSA_3_B_25 % KWLR	0.34	PBSA & C3 use residential	9-28	612	64	600

Table B.1.5 Band B – PBSL Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSL_1_B_35 % AH	0.38	High density PBSL scheme	6-22	440	234	500
PBSL_2_B_25 % KWLR	0.34	PBSL & C3 use residential	8-28	572	67	600
PBSL_2_B_25 % SR	0.34	PBSL & C3 use residential	9-28	572	64	600

Modelling Input Tables

- 6.4 This section sets out the appraisal assumptions specific to Value Band B.
- 6.5 Table B.2 sets out the residential sales value assumptions adopted for each benchmark unit type within the development typologies modelled in Value Band B. The mid-point sales values are highlighted in bold. The table also outlines the range of sales value permutations derived from applying incremental increases and decreases of 5%-10% to the mid-point values. This approach reflects the wide range of residential sales value observed across the value band, allowing for viability testing to account for the wider variation in the residential market within the spatial area.

Table B.2: Band B – Market Housing Sales Values

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£675,000	£712,500	£750,000	£787,500	£825,000
1B2P	52	560	£819,000	£864,500	£910,000	£955,500	£1,001,000
2B4P	72	775	£1,152,000	£1,216,000	£1,280,000	£1,344,000	£1,408,000
3B5P	86	926	£1,368,000	£1,444,000	£1,520,000	£1,596,000	£1,672,000
3B6P	150	1,615	£2,466,000	£2,603,000	£2,740,000	£2,877,000	£3,014,000
1B2P WC	60	646	£819,000	£864,500	£910,000	£955,500	£1,001,000
2B4P WC	88	947	£1,152,000	£1,216,000	£1,280,000	£1,344,000	£1,408,000
3B6P WC	150	1,615	£2,502,000	£2,641,000	£2,780,000	£2,919,000	£3,058,000
3B6P 3-storey Townhouse	136	1,464	£2,092,500	£2,208,750	£2,325,000	£2,441,250	£2,557,500
Indicative average blended sales value per square metre			£15,791	£16,669	£17,546	£18,423	£19,301
Indicative average blended sales value per square foot			£1,467	£1,549	£1,630	£1,712	£1,793

- 6.6 Table B.3 presents the Build to Rent (BTR) rental value assumptions adopted for each benchmark unit type within the development typologies modelled in Value Band B. Mid-point monthly rental values are highlighted in bold. The table also sets out the range of rental value permutations derived from applying incremental increases and decreases of 2.5% and 5% to the mid-point values.

Table B.3: Band B - Build to Rent Values

Unit Type	NSA sqm	NSA sq. ft	-5%	-2.5%	Mid-Point Monthly Rental Values	+ 2.5%	+ 5%
1B1P	40	431	£2,803	£2,876	£2,950	£3,024	£3,098
1B2P	52	560	£3,468	£3,559	£3,650	£3,741	£3,833
2B4P	72	775	£4,864	£4,992	£5,120	£5,248	£5,376
3B5P	86	926	£5,814	£5,967	£6,120	£6,273	£6,426
3B6P	150	1,615	£8,645	£8,873	£9,100	£9,328	£9,555
1B2P WC	60	646	£3,468	£3,559	£3,650	£3,741	£3,833
2B4P WC	88	947	£4,864	£4,992	£5,120	£5,248	£5,376
3B6P WC	150	1,615	£8,645	£8,873	£9,100	£9,328	£9,555
Indicative average blended sales value per square metre			£14,595	£14,979	£15,363	£15,747	£16,131
Indicative average blended sales value per square foot			£1,356	£1,391	£1,427	£1,463	£1,498

- 6.7 Tables B.4 – B.5 set out the affordable housing sales value assumptions for each affordable housing tenure within Value Band B.

Table B.4: Band B - Social Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£209,615	£3,677	£342
2B4P	79	850	£216,495	£2,740	£255
3B5P	95	1,023	£225,756	£2,376	£221
3B6P	105	1,130	£221,877	£2,113	£196
1B2P WC	60	646	£209,615	£3,494	£325
2B4P WC	88	947	£216,495	£2,460	£229
3B6P WC	108	1,163	£221,877	£2,054	£191

Table B.5: Band B - Key Worker Living Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£254,568	£4,896	£455
2B4P	72	775	£279,773	£3,886	£361
3B5P	86	926	£307,112	£3,571	£332
3B6P	95	1023	£297,638	£3,133	£291
1B2P WC	60	646	£254,568	£4,243	£394
2B4P WC	88	947	£279,773	£3,179	£295
3B6P WC	108	1163	£297,638	£2,756	£256

- 6.8 Tables B.6 and B.7 sets out the PBSA and PBSL sales value assumptions adopted for each benchmark unit type within the development typologies modelled in Value Band B. The mid-point PBSA weekly rental values, and mid point PBSL monthly rental values are highlighted in bold. The tables also outline sets out the range of rental value permutations derived from applying incremental increases and decreases of 2.5% and 5% to the mid-point values.

Table B.6: Band B - PBSA Values

Market PBSA - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Weekly Rental Values	+ 2.5%	+ 5%
Type 1 Studio	18	194	£466	£478	£490	£502	£515
Type 2 Studio	22	237	£504	£517	£530	£543	£557
Type 3 Studio	24	258	£532	£546	£560	£574	£588
Type 4 Studio	26	280	£551	£566	£580	£595	£609
Type 5 Studio WC	26	280	£551	£566	£580	£595	£609
Type 6 Studio Care	18	194	£466	£478	£490	£502	£515
Affordable PBSA (all types)					£199		
OPEX	20%						
Yield	4.25%						
Purchasers Costs	3%						

Table B.7: Band B - PBSL Values

Co-living - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Monthly Rental Values	+ 2.5%	+ 5%
Type 1	20	215	£2,090	£2,145	£2,200	£2,255	£2,310
Type 2	24	258	£2,280	£2,340	£2,400	£2,460	£2,520
Type 3	26	280	£2,328	£2,389	£2,450	£2,511	£2,573
Type 4	30	323	£2,584	£2,652	£2,720	£2,788	£2,856
Type 5 WC	36	388	£2,584	£2,652	£2,720	£2,788	£2,856
OPEX	28%						
Yield	4.25%						
Purchasers Costs	3%						

Table B.8: Band B - Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£70.00	£753	24	5.25%	6.8%
Class E Office (Lab enabled)	£100.00	£1,076	24	4.75%	6.8%
Class E Retail	£55.00	£592	12	4.75%	6.8%
Class E Supermarket	£25.00	£269	24	4.75%	6.8%
Class E Healthcare	£35.00	£377	12	5.50%	6.8%
Class F1 & F2 Use	£35.00	£377	12	5.50%	6.8%

- 6.9 Tables B.9 and B.10 set out the residential and non-residential/commercial build cost rates per square metre as advised by Mace Consult within Value Band B.

Table B.9: Band B – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£3,260	£3,730	£3,880	£4,450	£5,050
Residential [BTR]		£3,770	£3,930	£4,450	£5,050
PBSA			£4,460	£5,020	£5,390
PBSL			£4,460	£5,020	£5,390

Table B.10: Band B – Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£5,040	£5,540	£5,930
Office				£4,730	£5,270	£5,660
Office – Lab enabled				£6,620	£7,280	£7,820
Office - Refurbishment				£3,210	£3,460	£3,810
Retail	£5,930					
Light Industrial	£3,800					
Industrial/wareho using	£1,690					
Data Centres	£6,870			£7,140		
School		£5,260				
Healthcare		£6,750				
Community Centre		£4,500				

Table B.11: Band B – CIL assumed costs rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£475	£97
Class C2 Market Housing	£475	£97
PBSA Sui Generis	£126	£0
Class E - Retail GIA	£126	£200
Class E - Office GIA	£126	£224
Class C1 - Hotel	£126	£170

Table B.12: Band B – Building Safety Levy costs rates

Building Safety Levy Rate	Rate
Brownfield land	£44
Greenfield land	£87

Value Band B – Results and Analysis

Minor Residential Development Typologies

- 6.10 The viability appraisals for minor residential development typologies in Value Band B assume 100% market housing, as these types of development do not typically attract affordable housing contributions. In line with build costs advice provided by Mace Consult, the sensitivity analysis for the minor residential typologies incorporates reductions of

construction costs from -2.5% to -10% to reflect different pricing characteristics for smaller scale developments, namely those procured through Tier 3 contractors⁴⁵.

- 6.11 The results are set out in Annex 1 Tables 2.1.1 – 2.1.4 and indicate that these types of schemes should come forward without experiencing any significant viability constraints. All four of the tested minor residential developments are shown to be viable in the results of the testing.

Medium Residential Development Typologies

- 6.12 The viability appraisals for medium residential development typologies in Value Band B test affordable housing requirements of 20% and 35% at a tenure split of 60% Social Rent and 40% KWLR.
- 6.13 The results are set out in Annex 1 Tables 2.2.1 – 2.2.9 and demonstrate that these types of schemes are generally capable of supporting the levels of affordable housing contributions tested. However, the viability of MED_RES_3_B, which is a 7-storey development, is slightly more challenging under the 35% affordable housing scenario. The results also indicate that viability becomes increasingly constrained on sites with higher Benchmark Land Values (BLVs) reflecting high existing use values (EUVs).

Major Residential Development Typologies

- 6.14 The viability appraisals for major residential development typologies test affordable housing requirements of 20% and 35% at a tenure split of 60% social rent and 40% KWLR, alongside scenarios incorporating grant funding and CIL relief. Typology MAJ_RES_4_B resembles a Build to Rent (BTR) development and models 35% affordable housing, at a tenure split of 70% Discount Market Rent (DMR) and 30% KWLR, as well as 25% KWLR and 25% social rent.
- 6.15 The results are set out in Annex 1 Tables 2.3.1 – 2.3.16.
- 6.16 MAJ_RES_1_B to MAJ_RES_3_B are generally viable at the levels of affordable housing requirements tested, with Borough CIL relief and grant funding significantly strengthening viability profiles. However, viability becomes more constrained on sites with higher BLVs that reflect higher EUVs.
- 6.17 The viability of MAJ_RES_4_B is impacted the most when modelling 35% affordable housing (70% DMR and 30% KWLR), with affordable housing provisions of 25% KWLR and 25% social rent shown to be generally viable and only affected on sites with higher existing

⁴⁵ Further details are set out in Section 4.4.1 in Appendix 1.

use values. The inclusion of borough CIL relief and grant funding improves the viability profile of the typology across all scenarios.

- 6.18 MAJ_RES_5_B and MAJ_RES_6_B resemble high density development typically delivered within tall building cluster locations in the Value Band B (including Vauxhall/Nine Elms, Elephant and Castle and Old Street/Shoreditch). Results indicate that viability is more constrained in these typologies. This is largely due to steep construction costs associated with high density residential development absorbing a large proportion of development value despite high market values in Value Band B. Non-C3 typologies such as co-living support the viability of MAJ_RES_6_B by providing a strong contribution towards the overall development value and cross-subsidy. The inclusion of Borough CIL relief and grant funding also improves the viability profiles of the two typologies.

Purpose Built Student Accommodation (PBSA)

- 6.19 The viability appraisals for the PBSA typologies in Value Band B model 35% affordable student accommodation and additional affordable housing payment in lieu (PiL) contributions based on rates of £500, £750, and £1,000 per square metre of market PBSA floorspace. Typologies PBSA_2_B and PBSA_3_B resemble hybrid PBSA and C3 use schemes. PBSA_2_B models 35% affordable housing at a tenure split of 60% social rent and 40% KWLR, whereas PBSA_3_B models affordable housing provision at 25% KWLR and 25% social rent.
- 6.20 The results are set out in Annex 1 Tables 2.4.1 –2.4.10.
- 6.21 Results for PBSA_1_B indicate that this typology can viably provide 35% affordable student accommodation in all the BLV scenarios along with the full range of tested affordable housing PiL contributions. Similarly, the hybrid PBSA and C3 use typologies can viably support the levels of affordable housing requirements tested, with the inclusion of Borough CIL relief and grant funding further enhancing the viability profiles of these typologies.

Purpose Built Shared Living (PBSL) Typologies

- 6.22 The viability appraisals for the PBSL typologies in Value Band B model on-site C3 affordable housing. PBSL_1_B models 35% affordable housing at a tenure split of 60% social rent and 40% KWLR, and PBSL_2_B models 25% social rent and 25% KWLR.
- 6.23 The results are set out in Tables 2.5.1 –2.5.6 in Annex 1 and indicate that the PBSL typologies can viably support the levels of affordable housing requirements tested.
- 6.24 PBSL_1_B can viably support 35% affordable housing in all but the highest BLV scenarios, with the inclusion of Borough CIL relief and grant funding enhancing the viability profile

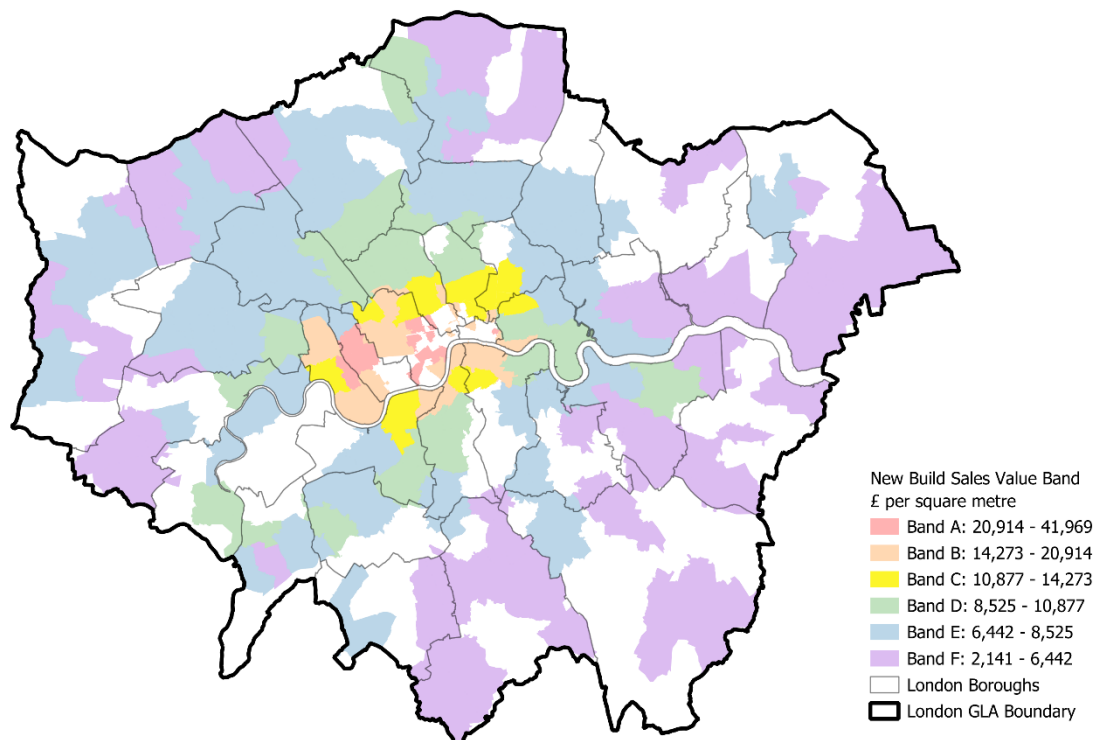
significantly. Similarly, both the 25% KWLR and 25% social rent scenarios for PBSL_2_B are viable in the majority of cases, with viability further improved with the inclusion of Borough CIL relief and grant funding.

Key Findings and Conclusions

- 6.25 Viability testing of the smaller major residential development typologies indicates that 35% affordable housing split between 60% social rent and 40% KWLR is generally viable. The viability profiles of these schemes can be significantly enhanced through the inclusion of Borough CIL relief and grant funding.
- 6.26 The viability testing indicates that high density residential developments, despite benefiting from higher market values, demonstrated a more constrained viability profiles due to the very high construction costs associated with these types of development. The viability of these typologies is however, significantly improved with the inclusion of Borough CIL relief and grant funding. In the cases of the 'MAJ_RES_5_B' and 'MAJ_RES_6_B' typologies, the testing suggest that viability could be improved by reducing affordable housing provision below 35% under the highest Benchmark Land Value scenario ('BLV 3'). However, high existing use values are a recognised viability constraint, and schemes on those specific sites could progress through the Viability Tested Route in planning, to identify the maximum viable amount affordable housing that can be delivered. Further, sites with high existing use values are considered to be the exception rather than the norm in Value Band B, with many strategic sites characterised by lower existing use values (including operational meanwhile uses).
- 6.27 The viability testing of PBSA_1_B shows that the typology can viably provide 35% affordable student accommodation alongside and the full range of tested affordable housing PiL contributions. In addition, the viability testing of the hybrid PBSA and C3 use typologies, and the hybrid PBSL and C3 use typologies, indicates that these schemes can generally support the tested affordable housing levels and tenures while maintaining viability. The inclusion of borough CIL and grant funding further strengthen the viability profiles of these typologies.

7. VALUE BAND C – OVERVIEW & ANALYSIS

Map 4: Value Band C



Introduction

- 7.1 Value Band C represents the third highest residential sales value market in London, and is primarily located within inner London, as well as some parts of North and South West London.
- 7.2 Analysis of recent residential development activity within Value Band C indicates that a broad range of residential development typologies have been delivered, ranging from small and medium sized schemes to high density developments including Build to Rent (BTR), Purpose-Built Student Accommodation (PBSA) and Purpose-Built Shared Living (PBSL) schemes.
- 7.3 For Value Band C, the LPVS models six minor, six medium, eight major, and one strategic site typologies, alongside five typologies each for PBSA and PBSL. The viability analysis of the office typologies modelled within Value Band C is set out in Annex 8.

Development Typologies

7.4 Table C.1.1 to C.1.5 below outlines the residential development typologies modelled in Value Band C. More detailed breakdowns of all typologies can be found in Annex 2.

Table C.1.1 Band C – Minor Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MIN_RES_1_C	96	Single new-build dwelling house	3	1	136	N/A
MIN_RES_2_C	90	Conversion and extension to create 3x residential units	3	3	183	N/A
MIN_RES_3_C	144	Conversion and extension to create 7x residential units	5	7	480	100
MIN_RES_4_C	280	New-build building providing x7 residential units	5	7	577	128
MIN_RES_5_C	900	8x terraced townhouses	3	8	1,088	N/A
MIN_RES_6_C	900	New-build building providing 6x residential units & 3x terraced townhouses	3	9	938	N/A

Table C.1.2 Band C – Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_C	350	New-build block providing 10x residential units	5	10	878	N/A
MED_RES_2_C	1,320	New-build block providing 10x residential units & 5 terraced townhouses	3-5	15	1,549	N/A
MED_RES_3_C	450	New-build block providing 18x residential units	5	18	1,677	80
MED_RES_4_C	1,500	Two new-build blocks providing 28x residential units	4	28	2,687	80

MED_RES_5_C	875	New-build block providing 32x residential units	5	32	2,835	N/A
MED_RES_6_C	875	New-build block providing 42x residential units	7	42	3,654	N/A

Table C.1.3 Band C – Major Residential Development Typologies

Development Typology ID	Site Area (HA)	Description	Storey Height Range	DpHA (Gross)	Total Units	Total PBSA Units (Total PBSL Units)	Total Commercial GIA (sqm)
MAJ_RES_1_C	0.74	Low density residential scheme	5-6	174	129	0 (0)	N/A
MAJ_RES_2_C	0.38	Higher density residential scheme	6-18	639	243	0 (0)	500
MAJ_RES_3_C	0.34	Higher density residential scheme	14-24	976	332	0 (0)	880
MAJ_RES_4_C	0.34	Higher density BtR residential scheme	14-24	974	331	0 (0)	600
MAJ_RES_5_C	1.50	Residential-led scheme & supermarket re-provision	7-18	463	694	0 (0)	10,094
MAJ_RES_6_C	1.50	BtR Residential-led scheme & supermarket re-provision	7-18	471	707	0 (0)	9,770
MAJ_RES_7_C	4.50	Residential-led scheme & supermarket re-provision	9-26	376	1,692	432 (352)	26,967
MAJ_RES_8_C	3.00	Residential led mixed use scheme	7-11	266	798	0 (0)	1,130
MAJ_RES_SS_1_C	4.00	Residential scheme (strategic public sector site)	6-10	208	830	0 (0)	1,000

Table C.1.4 Band C – PBSA Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSA_1_C	0.66	High density PBSA scheme	26-28	1,166	N/A	N/A
PBSA_2_C_35 % AH	0.38	PBSA & C3 use residential	6-22	470	234	500
PBSA_3_C_25 % KWLR	0.34	PBSA & C3 use residential	8-28	612	67	600
PBSA_3_C_25 % KWLR	0.34	PBSA & C3 use residential	9-28	612	64	600
PBSA_4_C	0.33	Medium sized PBSA scheme	14	192	N/A	N/A

Table C.1.5 Band C – PBSL Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSL_1_C_35 % AH	0.38	High density PBSL scheme	6-22	440	234	500
PBSL_2_C_25 % KWLR	0.34	PBSL & C3 use residential	8-28	572	67	600
PBSL_2_C_25 % SR	0.34	PBSL & C3 use residential	9-28	572	64	600
PBSL_3_C	0.33	Medium sized PBSL scheme	7-12	293	N/A	N/A
PBSL_4_C	0.20	Small PBSL scheme	12	220	N/A	N/A

Modelling Input Tables

- 7.5 The following section provides an overview of appraisal input assumptions specific to Value Band C.
- 7.6 Table C.2 sets out the residential sales value assumptions adopted for each benchmark residential unit type within the study's development typologies in Value Band C. The mid-point sales values are shown in bold. The table also outlines each sales value permutations derived from applying incremental increases and decreases of 5%-10% to the mid-point values. This approach reflects the wide range of residential sales value observed across the

value band, allowing for viability testing to account for the wider variation in the residential market within the spatial area.

7.7

Table C.2: Band C – Market Housing Sales Value

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£468,000	£494,000	£520,000	£546,000	£572,000
1B2P	52	560	£621,000	£655,500	£690,000	£724,500	£759,000
2B3P	63	678	£693,000	£731,500	£770,000	£808,500	£847,000
2B4P	72	775	£792,000	£836,000	£880,000	£924,000	£968,000
3B4P	76	818	£819,000	£864,500	£910,000	£955,500	£1,001,000
3B5P	86	926	£990,000	£1,045,000	£1,100,000	£1,155,000	£1,210,000
3B6P	95	1,023	£1,395,000	£1,472,500	£1,550,000	£1,627,500	£1,705,000
1B2P WC	60	646	£621,000	£655,500	£690,000	£724,500	£759,000
2B4P WC	88	947	£792,000	£836,000	£880,000	£924,000	£968,000
3B6P WC	108	1,163	£1,395,000	£1,472,500	£1,550,000	£1,627,500	£1,705,000
3B6P 3-storey Townhouse	136	1,464	£1,215,000	£1,282,500	£1,350,000	£1,417,500	£1,485,000
Indicative average blended sales value per square metre			£11,399	£12,032	£12,666	£13,299	£13,932
Indicative average blended sales value per square foot			£1,059	£1,118	£1,176	£1,235	£1,294

7.8 Table C.3 presents the Build to Rent (BTR) rental value assumptions adopted for each benchmark unit type within the development typologies modelled in Value Band C. Mid-point monthly rental values are highlighted in bold. The table also sets out the range of rental value permutations derived from applying incremental increases and decreases of 2.5% and 5% to the mid-point values. This approach reflects the breadth of rental values observed across the value band and enables viability testing to capture variations in market performance within the spatial area.

Table C.3: Band C - Build to Rent Values

Unit Type	NSA sqm	NSA sq. ft	- 5%	- 2.5%	Midpoint Monthly Rental Values	+ 2.5%	+ 5%
1B1P	40	431	£2,043	£2,096	£2,150	£2,204	£2,258
1B2P	52	560	£2,736	£2,808	£2,880	£2,952	£3,024
2B3P	63	678	£2,945	£3,023	£3,100	£3,178	£3,255
2B4P	72	775	£3,306	£3,393	£3,480	£3,567	£3,654
3B4P	76	818	£3,420	£3,510	£3,600	£3,690	£3,780
3B5P	86	926	£3,800	£3,900	£4,000	£4,100	£4,200
3B6P	95	1,023	£4,133	£4,241	£4,350	£4,459	£4,568
1B2P WC	60	646	£2,736	£2,808	£2,880	£2,952	£3,024
2B4P WC	88	947	£3,306	£3,393	£3,480	£3,567	£3,654
3B6P WC	108	1,163	£4,133	£4,241	£4,350	£4,459	£4,568
Indicative average blended sales value per square metre			£10,260	£10,530	£10,800	£11,070	£11,340
Indicative average blended sales value per square foot			£953	£978	£1,003	£1,028	£1,053

7.9 The following tables (Tables C.4 – C.5) set out the affordable housing sales assumptions for each affordable housing tenure within Value Band C.

Table C.4: Band C - Social Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£194,194	£3,407	£316
2B3P	69	743	£217,677	£3,155	£293
2B4P	79	850	£216,495	£2,740	£255
3B4P	84	904	£230,023	£2,738	£254
3B5P	95	1,023	£225,756	£2,376	£221
3B6P	105	1,130	£221,877	£2,113	£196
1B2P WC	60	646	£194,194	£3,237	£301
2B4P WC	88	947	£216,495	£2,460	£229
3B6P WC	108	1,163	£221,877	£2,054	£191

Table C.5: Band C – Key Worker Living Rent

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£248,819	£4,785	£444
2B3P	63	678	£277,486	£4,405	£409
2B4P	72	775	£268,012	£3,722	£346
3B4P	76	818	£300,129	£3,949	£367
3B5P	86	926	£289,602	£3,367	£313
3B6P	95	1023	£280,127	£2,949	£274
1B2P WC	60	646	£248,819	£4,147	£385
2B4P WC	88	947	£268,012	£3,046	£283
3B6P WC	108	1163	£280,127	£2,594	£241

- 7.10 Tables C.6 and C.7 set out the assumed value assumptions for PBSA and PBSL benchmark unit types adopted in the study's development typologies in relation to Value Band C. The mid-point rental values per week are shown in bold. The table also outlines each rental value permutation for each benchmark unit type arising from applying incremental 2.5%-5% increases and decreases to the mid-point rental value.

Table C.6: Band C – PBSA Values

Market PBSA - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Weekly Rental Values	+ 2.5%	+ 5%
Cluster - 6 Flats	100	1,076	£1,767	£1,814	£1,860	£1,907	£1,953
Type 1 Studio	18	194	£409	£419	£430	£441	£452
Type 2 Studio	22	237	£437	£449	£460	£472	£483
Type 3 Studio	24	258	£456	£468	£480	£492	£504
Type 4 Studio	26	280	£475	£488	£500	£513	£525
Type 5 Studio WC	26	280	£475	£488	£500	£513	£525
Type 6 Studio Care	18	194	£409	£419	£430	£441	£452
Affordable PBSA (all types)					£199		
OPEX	20%						
Yield	4.25%						
Purchasers Costs	3%						

Table C.7: Band C - PBSL Values

Co-living - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-10%	-5%	Mid-Point Monthly Rental Values	+ 5%	+ 10%
Type 1	20	215	£1,805	£1,853	£1,900	£1,948	£1,995
Type 2	24	258	£1,995	£2,048	£2,100	£2,153	£2,205
Type 3	26	280	£2,043	£2,096	£2,150	£2,204	£2,258
Type 4	30	323	£2,261	£2,321	£2,380	£2,440	£2,499
Type 5 WC	36	388	£2,261	£2,321	£2,380	£2,440	£2,499
OPEX	28%						
Yield	4.25%						
Purchasers Costs	3%						

Table C.8: Band C - Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£55.00	£592	24	5.25%	6.8%
Class E Retail	£35.00	£377	12	5.50%	6.8%
Class E Supermarket	£35.00	£377	24	4.75%	6.8%
Class E Healthcare	£35.00	£377	12	5.75%	6.8%
Class F1 & F2 Use	£35.00	£377	12	5.75%	6.8%
Class E Light Industrial	£25.00	£269	12	6.00%	6.8%
B2/B8 Use	£27.50	£296	12	5.25%	6.8%

7.11 Tables C.9 and C.10 set out the residential and non-residential/commercial build cost rates per square metre as advised by Mace Consult within Value Band C.

Table C.9: Band C – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£3,110	£3,560	£3,690	£4,240	£4,810
Residential [BTR]		£3,600	£3,740	£4,240	£4,810
PBSA			£3,920	£4,780	£5,430
PBSL			£3,920	£4,780	£5,430

Table C.10: Band C - Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£4,640	£5,110	£5,470
Office				£4,580	£5,130	£5,510
Office – Lab enabled				£6,300	£6,930	£7,450
Office - Refurbishment				£3,060	£3,370	£3,620
Retail	£5,170					
Light Industrial	£3,580					
Industrial/wareho using	£1,610					
Data Centres	£6,540			£6,800		
School		£5,010				
Healthcare		£6,430				
Community Centre		£4,120				

Table C.11: Band C – CIL assumed costs rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£422	£97
Class C2 Market Housing	£422	£97
PBSA Sui Generis	£150	£0
Co-living Sui Generis	£150	£0
Class E - Supermarket	£38	£200
Class E - Retail GIA	£38	£200
Class E - Office GIA	£132	£224
Class C1 - Hotel	£132	£170

Table C.12: Band C – Building Safety Levy costs rates (per square metre)

Building Safety Levy Rates	Rate
Brownfield land	£36
Greenfield land	£72

Results and Analysis

Minor Residential Development Typologies

- 7.12 The viability appraisals for minor residential typologies in Value Band C model 100% market housing, as these types of development typically do not attract affordable housing contributions. In line with build costs advice provided by Mace Consult, the sensitivity

analysis for the minor residential typologies incorporate reductions in construction costs from -2.5% to -10%, to reflect different pricing characteristics for smaller scale developments, namely those procured through Tier 3 contractors.

- 7.13 Results are set out in Annex 1 Tables 3.1.1 – 3.1.6 and indicate that most of these schemes should come forward without experiencing significant viability constraints except for MIN_RES_2_C, which represents the subdivision of an existing dwelling house into three flats. In this case, viability is constrained by the relatively high existing use value associated with the single dwelling house that forms the site typology.

Medium Residential Development Typologies

- 7.14 The viability appraisals for medium residential typologies in Value Band C model affordable housing requirements at 20% and 35% at a tenure split of 60% social rent and 40% KWLR.
- 7.15 Results are set out in Annex 1 Tables 3.2.1 -3.2.9 and present a mixed picture across the typologies. MED_RES_1_C to MED_RES_4_C can support 20% affordable housing and up to 35% affordable housing under lower Benchmark Land Value (BLV) scenarios. However, viability is more constrained for typologies comprising more than 30 units (MED_RES_5_C and MED_RES_6_C). These can only support 20% affordable housing at the upper end of the Value Band C sales value spectrum, alongside reductions in construction costs and on sites with lower EUV.

Major Residential Development Typologies

- 7.16 The viability appraisals for major residential typologies in Value Band C test 35% affordable housing at a tenure split of 60% social rent and 40% KWLR, alongside scenarios that include grant funding and Borough CIL relief. MAJ_RES_4_C is a single-phase Build to Rent (BTR) development and tests 35% affordable housing at a tenure split of 70% Discount Market Rent (DMR) and 30% KWLR, alongside scenarios of 25% affordable housing provided entirely as KWLR or social rent. MAJ_RES_6_C is high density BTR development and tests 35% affordable housing at a tenure split of 70% DMR and 30% KWLR.
- 7.17 Results are set out in Annex 1 Tables 3.3.1 -3.3.20 and demonstrate that most of the major residential typologies can support 35% affordable housing with grant funding and Borough CIL relief, except for the BTR typologies.
- 7.18 Typologies representing single-phase Build for Sale developments (MAJ_RES_1_C to MAJ_RES_3_C) are viable at 35% affordable housing with grant funding and Borough CIL relief in all but the highest Benchmark Land Value (BLV) scenarios. The larger and multi-phased typologies (incorporating growth) within this category (MAJ_RES_5_C,

MAJ_RES_7_C, MAJ_RES_8_C) can also support 35% affordable housing, although outcomes are more sensitive to market conditions and are generally viable at the upper end of the Band C sales value spectrum, alongside reductions in construction costs and the inclusion of grant funding and Borough CIL relief.

- 7.19 However, the BTR typologies (MAJ_RES_4_C and MAJ_RES_6_C) are unable to support the levels of affordable housing requirements tested even when grant funding and Borough CIL relief are included. The viability of MAJ_RES_6_C, which is a high density BTR scheme with supermarket re-provision, is further constrained by its high BLV, reflecting the high existing use value associated with the retained supermarket use.

Major Strategic Site Typologies

- 7.20 The viability appraisals for MAJ_RES_SS_1_C, a multi-phased, residential-led scheme on public land, test 50% affordable housing at a tenure split of 50% social rent and 50% KWLR, alongside scenarios incorporating grant funding, Borough CIL relief, and the provision of a low interest loan.
- 7.21 Results are set out in Annex 1 Tables 3.3.21 -3.3.22 and indicate that the typology can viably support 50% affordable housing when grant funding and Borough CIL relief are applied. In addition, the provision of a low-interest loan, with a 0.1% interest rate applied to the affordable housing construction costs, significantly enhances the viability profile of the typology.

Purpose Built Student Accommodation (PBSA) Typologies

- 7.22 The viability appraisals for the PBSA typologies in Value Band C test 35% affordable student accommodation and additional affordable housing payment in lieu (PiL) contributions based on rates of £250, £500, and £750 per square metre of market PBSA floorspace. In terms of the hybrid PBSA and C3 use typologies, PBSA_2_C models 35% affordable housing at a tenure split of 60% social rent and 40% KWLR, while PBSA_3_C models affordable housing requirements of 25% KWLR and 25% social rent.
- 7.23 Results are set out in Annex 1 Tables 3.4.1 -3.4.14 and indicate that the PBSA typologies can viably support the levels of affordable student accommodation or affordable housing tested. The PBSA typologies (PBSA_1_C and PBSA_4_C) can viably deliver 35% affordable student accommodation in all but the highest BLV scenario and can support additional affordable housing PiL contributions. While PBSA_1_C can accommodate a PiL up to £500 per square metre, PBSA_4_C can support the full range of PiL rates tested.

- 7.24 The hybrid PBSA and C3 use typologies (PBSA_2_C and PBSA_3_C) are capable of delivering affordable housing through development value cross subsidy alone, with the inclusion of Borough CIL relief and grant funding further enhancing viability profiles. Through development cross-subsidy alone, 'PBSA_2_C' can viably support 35% affordable housing at a tenure split of 60% social rent and 40% Key Worker Living Rent (KWLR) in the vast majority of cases, similarly, 'PBSA_3_C' is able to support either 25% KWLR or 25% social rent.

Purpose Built Shared Living (PBSL) Typologies

- 7.25 The viability appraisals for the PBSL typologies in Value Band C model affordable housing payment in lieu (PiL) contributions or on-site C3 affordable housing for hybrid PBSL and C3 use typologies. PBSL_1_C models 35% affordable housing at a tenure split of 60% social rent and 40% Key Worker Living Rent, while PBSL_2_C models 25% affordable housing comprising either KWLR or Social Rent. PBSL_3_C and PBSL_4_C model PiL contributions based on rates of £2,250, £2,500, and £2,750 per square metre.
- 7.26 Results are set out in Annex 1 Tables 3.5.1 -3.5.14 and indicate that the mixed typologies are viable at the affordable housing levels tested with the inclusion of grant funding and Borough CIL relief whereas the PBSL typologies are generally unable to support additional PiL at the tested rates. While PBSL_3_C and PBSL_4_C can support a PiL of £2,250 per square metre at the higher end of rental values in Value Band C, these are unviable when higher PiL rates of £2,500 and £2,750 are tested. In terms of the mixed typologies, PBSL_1_C is viable at 35% affordable housing with the inclusion of Borough CIL relief and grant funding whereas PBSL_2_C can viably provide 25% KWLR and 25% social rent in the majority of cases through development cross-subsidy alone.

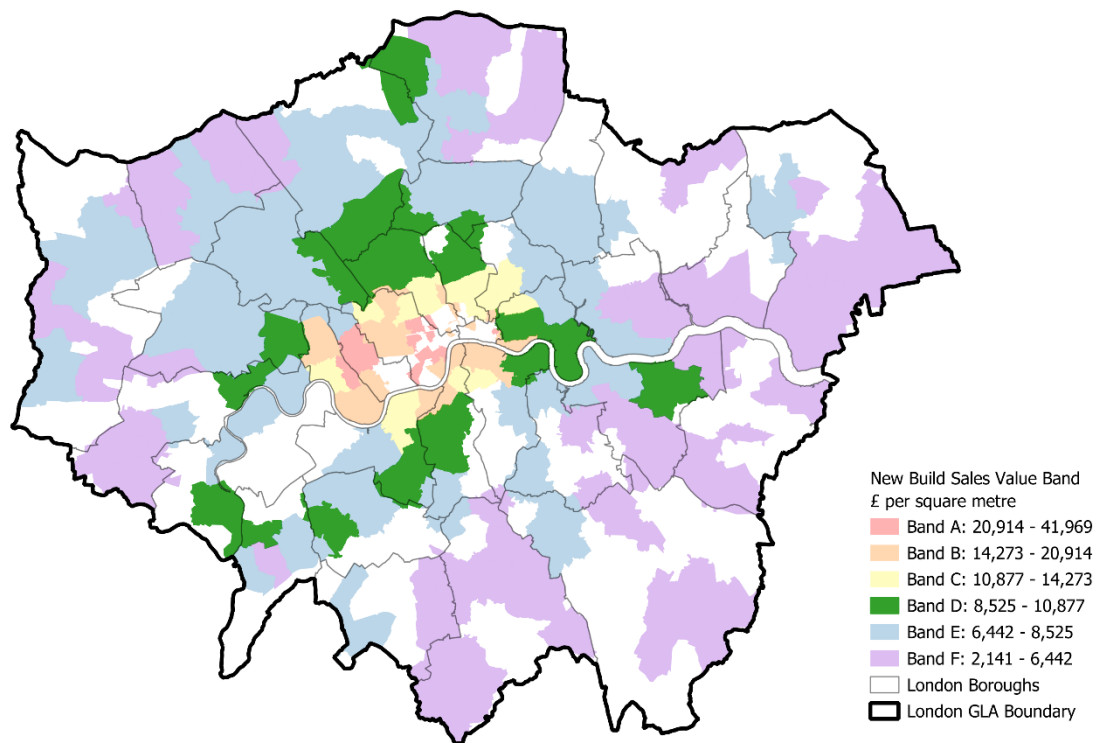
Key Findings and Conclusions

- 7.27 Viability testing of the major residential typologies in Value Band C presents a contrasting picture between BfS and BTR developments. While most BfS typologies can viably provide 35% affordable housing with grant funding and Borough CIL relief, the BTR typologies are unable to support the levels of affordable housing requirements tested even with grant funding and Borough CIL relief. Whilst BTR typologies are not commonly delivered in high price points areas such as Value Band C, the results warrant further detailed review and additional sense-checking to fully understand the viability position. This work will be undertaken as part of phase 2 of the LPVS.

- 7.28 Similar to the findings in Value Band B, high density residential developments have more constrained viability profiles due to the high construction costs associated with these forms of developments.
- 7.29 The viability testing results for PBSA typologies in Value Band C indicate that these schemes are generally capable of supporting 35% affordable student accommodation, and in case of hybrid typologies, provision of on-site C3 affordable housing, with the inclusion of grant funding and Borough CIL relief.
- 7.30 In terms of PBSL typologies, viability testing results show that the hybrid typologies can viably support on-site C3 affordable housing, with the inclusion of grant funding and Borough CIL relief. However, affordable housing PiL contributions at rates of £2,500 and £2,750 per square metre are shown to significantly constrain the viability of the PBSL typologies.

8. Value Band D – Overview & Analysis

Map 5: Value Band D



Introduction

- 8.1 Value Band D represents the mid-point of market housing sales values in London and includes lower value areas in inner-London boroughs such as Camden, Hackney, and Islington, as well as higher value areas in outer-London boroughs such as Barnet and Merton.
- 8.2 Analysis of residential development in Value Band D identifies a wide range of residential development typologies, ranging from small and medium sites to large, multi-phased schemes on industrial land and/or incorporating supermarket reprovision. High density developments including BTR and PBSA/L schemes are considered more likely to be delivered in town centre locations within Value Band D.
- 8.3 In this Value Band, the LPVS models six minor, six medium, nine major, and two strategic site residential typologies alongside two PBSA typologies and three PBSL typologies. The viability analysis of office typologies modelled in Value Band D is set out in Annex 8.

Development Typologies

8.4 Table D.1.1 to D.1.5 below outlines the residential development typologies modelled in Value Band D. More detailed breakdowns of all typologies can be found in Annex 2.

Table D.1.1 Band D – Minor Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MIN_RES_1_D	96	Single new-build dwelling house	3	1	136	N/A
MIN_RES_2_D	90	Conversion and extension to create 3x residential units	3	3	183	N/A
MIN_RES_3_D	144	Conversion and extension to create 7x residential units	5	7	480	100
MIN_RES_4_D	280	New-build building providing x7 residential units	5	7	577	128
MIN_RES_5_D	900	8x terraced townhouses	3	8	1,088	N/A
MIN_RES_6_D	900	New-build building providing 6x residential units & 3x terraced townhouses	3	9	938	N/A

Table D.1.2 Band D – Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_D	350	New-build block providing 10x residential units	5	10	878	N/A
MED_RES_2_D	1,320	New-build block providing 10x residential units & 5 terraced townhouses	3-5	15	1,549	N/A
MED_RES_3_D	450	New-build block providing 18x residential units	5	18	1,677	80
MED_RES_4_D	1,500	Two new-build blocks providing 28x residential units	4	28	2,687	80
MED_RES_5_D	875	New-build block providing 32x residential units	5	32	2,835	N/A
MED_RES_6_D	875	New-build block providing 42x residential units	7	42	3,654	N/A

Table D.1.3 Band D – Major Residential Development Typologies

Development Typology ID	Site Area (HA)	Description	Storey Height Range	DpHA (Gross)	Total Units	Total PBSA Units (Total PBSL Units)	Total Commercial GIA (sqm)
MAJ_RES_1_D	0.74	Low density residential scheme	5-6	159	118	0 (0)	N/A
MAJ_RES_2_D	0.50	Medium density residential scheme (includes 8x townhouses)	3-10	248	124	0 (0)	200
MAJ_RES_3_D	0.58	Higher density residential scheme	5-14	307	178	0 (0)	200
MAJ_RES_4_D	0.57	Higher density BtR residential scheme	7-16	418	238	0 (0)	N/A
MAJ_RES_5_D	1.50	Residential-led scheme & supermarket re-provision	6-15	396	594	0 (0)	10,094
MAJ_RES_6_D	1.50	BtR Residential-led scheme &	6-15	413	620	0 (0)	9,770

		supermarket re-provision					
MAJ_RES_7_D	4.50	Residential-led scheme & supermarket re-provision	7-20	299	1,345	388 (308)	26,967
MAJ_RES_8_D	3.00	Town Centre Residential led mixed use scheme	6-18	321	962	328 (308)	11,514
MAJ_RES_9_D	3.00	Residential led mixed use scheme	6-10	238	713	0 (0)	1,280
MAJ_RES_SS_1_D	5.50	Residential-led mixed use scheme (Strategic Site)	6-20	243	1,338	0 (396)	3,500
MAJ_RES_SS_2_D	4.00	Residential scheme (strategic public sector site)	6-10	185	740	0 (0)	1,000

Table D.1.4 Band D – PBSA Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSA_1_D_35 % AH	0.38	PBSA & C3 use residential	7-12	232	50	N/A
PBSA_1_D_25 % AH	0.38	PBSA & C3 use residential	5-12	232	33	N/A
PBSA_1_D_20 % AH	0.38	PBSA & C3 use residential	4-12	232	24	N/A
PBSA_2_D	0.33	Medium sized PBSA scheme	9-14	305	N/A	N/A

Table D.1.5 Band D – PBSL Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSL_1_D_35 % AH	0.38	PBSL & C3 use residential	7-12	264	234	500
PBSL_1_D_25 % AH	0.38	PBSL & C3 use residential	5-12	264	67	600
PBSL_1_D_20 % AH	0.38	PBSL & C3 use residential	4-12	264	64	600
PBSL_2_D	0.33	Medium sized PBSL scheme	7-12	293	N/A	N/A
PBSL_3_D	0.20	Small PBSL scheme	12	220	N/A	N/A

Modelling Input Tables

- 8.5 The following section provides an overview of the appraisal input assumptions specific to Value Band D.
- 8.6 Table D.2 below sets out the assumed sales value assumptions for each benchmark residential unit type adopted within the study's development typologies in Value Band D. The mid-point sales values are highlighted in bold. The table also outlines each sales value permutations for each benchmark unit type arising from applying incremental 5%-10% increases and decreases to the mid-point values. This sensitivity analysis is undertaken across the range of sales values observed within the value band, and to ensure that the viability testing captures the variation in sales values across the spatial area.

Table D.2: Band D – Market Housing Sales Values

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£396,000	£418,000	£440,000	£462,000	£484,000
1B2P	52	560	£459,000	£484,500	£510,000	£535,500	£561,000
2B3P	63	678	£540,000	£570,000	£600,000	£630,000	£660,000
2B4P	72	775	£585,000	£617,500	£650,000	£682,500	£715,000
3B4P	76	818	£630,000	£665,000	£700,000	£735,000	£770,000
3B5P	86	926	£729,000	£769,500	£810,000	£850,500	£891,000
3B6P	95	1,023	£918,000	£969,000	£1,020,000	£1,071,000	£1,122,000
1B2P WC	60	646	£459,000	£484,500	£510,000	£535,500	£561,000
2B4P WC	88	947	£585,000	£617,500	£650,000	£682,500	£715,000
3B6P WC	108	1,163	£918,000	£969,000	£1,020,000	£1,071,000	£1,122,000
3B6P 3-storey Townhouse	136	1,464	£990,000	£1,045,000	£1,100,000	£1,155,000	£1,210,000
Indicative average blended sales value per square metre			£8,474	£8,945	£9,415	£9,886	£10,357
Indicative average blended sales value per square foot			£787	£831	£875	£918	£962

- 8.7 Table D.3 below sets out the assumed rental value assumptions for Build to Rent (BTR) benchmark residential unit types adopted within the study's development typologies in Value Band D. The mid-point rental values per calendar month are shown in bold. The table also sets out the rental value permutations for each benchmark unit type arising from the application of incremental 2.5%-5% increases and decreases to the mid-point rental values.

Table D.3: Band D - Build to Rent Values

Unit Type	NSA sqm	NSA sq. ft	- 5%	- 2.5%	Midpoint Monthly Rental Values	+ 2.5%	+ 5%
1B1P	40	431	£1,881	£1,931	£1,980	£2,030	£2,079
1B2P	52	560	£2,375	£2,438	£2,500	£2,563	£2,625
2B3P	63	678	£2,708	£2,779	£2,850	£2,921	£2,993
2B4P	72	775	£3,040	£3,120	£3,200	£3,280	£3,360
3B4P	76	818	£3,135	£3,218	£3,300	£3,383	£3,465
3B5P	86	926	£3,515	£3,608	£3,700	£3,793	£3,885
3B6P	95	1,023	£3,753	£3,851	£3,950	£4,049	£4,148
1B2P WC	60	646	£2,375	£2,438	£2,500	£2,563	£2,625
2B4P WC	88	947	£3,040	£3,120	£3,200	£3,280	£3,360
3B6P WC	108	1,163	£3,753	£3,851	£3,950	£4,049	£4,148
Indicative average blended sales value per square metre			£8,717	£8,946	£9,175	£9,405	£9,634
Indicative average blended sales value per square foot			£810	£831	£852	£874	£895

- 8.8 The following tables D.4 – D.6 set out the affordable housing sales value assumptions for each affordable housing tenure within Value Band D.

Table D.4: Band D - Social Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£158,426	£2,779	£258
2B3P	69	743	£183,897	£2,665	£248
2B4P	79	850	£189,953	£2,404	£223
3B4P	84	904	£210,190	£2,502	£233
3B5P	95	1,023	£225,756	£2,376	£221
3B6P	105	1,130	£221,877	£2,113	£196
1B2P WC	60	646	£158,426	£2,640	£245
2B4P WC	88	947	£189,953	£2,159	£201
3B6P WC	108	1,163	£221,877	£2,054	£191

Table D.5: Band D - Key Worker Living Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£214,582	£4,127	£383
2B3P	63	678	£237,762	£3,774	£351
2B4P	72	775	£228,287	£3,171	£295
3B4P	76	818	£264,063	£3,475	£323
3B5P	86	926	£253,536	£2,948	£274
3B6P	95	1,023	£244,062	£2,569	£239
1B2P WC	60	646	£214,582	£3,576	£332
2B4P WC	88	947	£228,287	£2,594	£241
3B6P WC	108	1,163	£244,062	£2,260	£210

Table D.6: Band D – London Shared Ownership Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£357,000	£6,865	£638
2B3P	63	678	£420,000	£6,667	£619
2B4P	72	775	£455,000	£6,319	£587
3B4P	76	818	£451,530	£5,941	£552
3B5P	86	926	£453,484	£5,273	£490
3B6P	95	1,023	£464,245	£4,887	£454
1B2P WC	60	646	£357,000	£5,950	£553
2B4P WC	88	947	£455,000	£5,170	£480
3B6P WC	108	1,163	£464,245	£4,299	£399

- 8.9 Tables D.7 – D.8 sets out the PBSA and PBSL rental value assumptions adopted for each benchmark residential unit type modelled in Value Band D. The mid-point PBSA weekly rental values, and mid point PBSL monthly rental values are highlighted in bold. The tables also set out the range of rental value permutations derived from applying incremental increases and decreases of 2.5% and 5% to the mid-point values.

Table D.7: Band D - PBSA Values

Market PBSA - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Weekly Rental Values	+ 2.5%	+ 5%
Cluster - 6 Flats	100	1,076	£1,653	£1,697	£1,740	£1,784	£1,827
Type 1 Studio	18	194	£323	£332	£340	£349	£357
Type 2 Studio	22	237	£333	£341	£350	£359	£368
Type 3 Studio	24	258	£352	£361	£370	£379	£389
Type 4 Studio	26	280	£371	£380	£390	£400	£410
Type 5 Studio WC	26	280	£371	£380	£390	£400	£410
Type 6 Studio Care	18	194	£323	£332	£340	£349	£357
Affordable PBSA (all types)					£199		
OPEX	20%						
Yield	4.25%						
Purchasers Costs	3%						

Table D.8: Band D - PBSL Values

Co-living - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Monthly Rental Values	+ 2.5%	+ 5%
Type 1	20	215	£1,663	£1,706	£1,750	£1,794	£1,838
Type 2	24	258	£1,853	£1,901	£1,950	£1,999	£2,048
Type 3	26	280	£1,900	£1,950	£2,000	£2,050	£2,100
Type 4	30	323	£2,090	£2,145	£2,200	£2,255	£2,310
Type 5 WC	36	388	£2,090	£2,145	£2,200	£2,255	£2,310
OPEX	28%						
Yield	4.25%						
Purchasers Costs	3%						

Table D.9: Band D - Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£45.00	£484	24	6.5%	6.8%
Class E Retail	£30.00	£323	12	5.5%	6.8%
Class E Supermarket	£35.00	£377	12	4.75%	6.8%
Class E Healthcare	£25.00	£269	12	6.00%	6.8%
Class F1 & F2 Use	£25.00	£269	12	5.00%	6.8%

Tables D.10 – D.11 set out the residential and non-residential/commercial build cost rates per square metre as advised by Mace Consult within Value Band D.

Table D.10: Band D – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£2,950	£3,380	£3,510	£4,030	£4,570
Residential [BTR]		£3,420	£3,560	£4,030	£4,570
PBSA			£3,720	£4,540	£4,880
PBSL			£3,720	£4,540	£4,880

Table D.11: Band D - Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£4,250	£4,680	£5,010
Office				£4,360	£4,870	£5,230
Office – Lab enabled				£5,990	£6,590	£7,080
Office - Refurbishment				£2,910	£3,200	£3,440
Retail	£4,400					
Supermarket	£3,000					
Light Industrial	£3,360					
Industrial/wareho using	£1,530					
Data Centres	£6,220					
School		£4,760				
Healthcare		£6,110				
Community Centre		£3,750				

Table D.12: Band D – CIL assumed rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£335	£73
Class C2 Market Housing	£335	£73
PBSA Sui Generis	£357	£0
Co-living Sui Generis	£357	£0
Class E - Supermarket	£156	£0
Class E - Retail (GIA)	£120	£0
Class E - Office (GIA)	£120	£0

Table D.13: Band D – Building Safety Levy rates (per square metre)

Building Safety Levy Rates	Rate
Brownfield land	£31
Greenfield land	£61

Results & Analysis

Minor Residential Development Typologies

- 8.10 The viability appraisals for minor residential typologies in Value Band D assume 100% market housing, as minor developments are not typically subject to affordable housing contributions. In line with build costs advice provided by Mace Consult, the sensitivity analysis for minor residential typologies incorporates a reduction of construction costs from -2.5% to -10% to reflect different pricing characteristics for smaller scale developments, namely those procured through Tier 3 contractors.
- 8.11 Results are set out in Annex 1 Tables 4.1.1 – 4.1.6 and indicate that most of these typologies should come forward without significant viability constraints except MIN_RES_2_D and MIN_RES_3_D.
- 1.1 For MIN_RES_2_D, the subdivision of an existing dwelling house into three flats, is unviable across all tested scenarios due to the typology's relatively high existing use value as a residential unit. For MIN_RES_3_D, which is a high street typology involving the conversion of existing office floorspace to provide seven residential units and a ground floor commercial unit, is viable towards the upper end of the sales value range within Value Band D and where it is supported by reductions in construction costs.

Medium Residential Development Typologies

- 8.12 Viability appraisals for the medium residential typologies in Value Band D test affordable housing requirements of 20% and 35% at a tenure split of 60% social rent and 40% shared ownership.
- 8.13 Results are set out in Annex 1 Tables 4.2.1 – 4.2.18 and show significant variation in outcomes across the typologies. While some typologies, such as MED_RES_1_D and MED_RES_2_D, can viably support the levels of affordable housing requirements tested, others are viable in scenarios with no affordable housing and at the upper end of the Value Band D sales value range, in conjunction with reductions in constructions costs. These include MED_RES_5_D and MED_RES_6_D.

Major Residential Development Typologies

- 8.14 Viability appraisals for the major residential typologies in Value Band D test affordable housing requirements of 20%, 25%, and 35% at different tenure splits across Build for Sale (BfS) and Build to Rent (BTR) typologies. These also include scenarios with grant funding and Borough CIL relief. For the multi-phased typologies, growth and inflation assumptions are applied.
- 8.15 The BfS typologies are modelled at an affordable housing tenure split of 60% social rent and 40% shared ownership, whereas the BTR typologies are modelled at an affordable housing tenure split of 70% Discount Market Rent (DMR) and 30% Key Worker Living Rent (KWLR).
- 8.16 Results are set out in Annex 1 Tables 4.3.1 – 4.3.60 and point towards a challenging viability climate, with viable outcomes only present at the very upper end of the sales value spectrum alongside construction cost reductions and lower BLV scenarios. The results show that viability decreases as density is increased due to the higher construction costs associated with higher density development consuming a greater proportion of scheme development value.

Major Strategic Site Typologies

- 8.17 The viability appraisal for MAJ_RES_SS_1_D models 25% affordable housing at a tenure split of 60% social rent and 40% shared ownership and includes increased grant funding rates of £90,000 per shared ownership unit and £280,000 per social rent unit, borough CIL relief and a low interest loan of 0.1% applied to affordable housing build costs to reflect a hypothetical scenario which assumes a low interest loan to RPs being made available by the government. As set out in Annex 1 Table 4.3.61, the results indicate that the site is viable in the lowest BLV scenario, but unviable in the higher BLV scenarios ('BLV 2' and BLV 3').
- 8.18 An additional appraisal illustrates the use of a Mayor Development Order (MDO) or Local Development Order (LDO) to grant a planning consent and provide an 'oven ready' scheme with a public sector development body providing oversight of the delivery. The appraisal assumes a lower level of professional fees allowance at 6.5% to reflect the fact that some upfront projects costs would not be applicable in light of a scenario where planning consent was granted via an MDO or LDO. The appraisal also adopts a profit of 10% on cost, to account for the lower development risk and the scenario which additional profit would be recycled back into the scheme, commensurate with a public sector development body

overseeing the delivery. The results, as set out in Annex 1 Table 4.3.62, show an improved viability profile with the development typology shown to be largely viable.

- 8.19 The viability appraisal of MAJ_RES_SS_2_D models 40% affordable housing with increased grant funding rates, borough CIL relief and a low interest loan of 0.1% applied to affordable housing build costs. The results set out in Annex 1 Table 4.3.63 indicate that the development typology is generally viable.
- 8.20 A further appraisal illustrates the use of an MDO or LDO to grant planning consent providing an ‘oven ready’ scheme to be built out by an RP-led JV with a developer acting as a construction contractor. The appraisal amends the professional fees allowance to 6.5% to account for the fact that some upfront projects costs could not apply in light of MDO granted consent. The appraisal also adopts a profit of 10% on cost for the reasons set out above. The results, as set out in Annex 1 Table 4.3.64, show an improved viability profile.

Purpose Built Student Accommodation (PBSA) Typologies

- 8.21 The viability appraisals for PBSA_1_D, which resembles a mixed PBSA and C3 use scheme providing on-site C3 affordable housing, model 20%, 25%, and 35% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside scenarios including grant funding and Borough CIL relief. Results are outlined in Annex 1 Tables 4.4.1 – 4.4.6 and indicate very challenging viability with the tested affordable housing levels being largely unviable even with grant funding and CIL relief.
- 8.22 The viability appraisals for PBSA_2_D model Affordable Student Accommodation (ASA) at 20%, 25%, and 35% and additional affordable housing payment in lieu (PiL) contributions based on rates of £100, £200, and £300 per square metre on market PBSA floorspace. Results are set out in Annex 1 Tables 4.4.7 – 4.4.18 and show that the typology can viably provide 20% ASA alongside the range of additional PiL contributions tested. At 25% ASA and including the range of PiL tested, the typology is only viable at the upper end of rental values with construction cost reductions in the two lower BLV scenarios. 35% ASA alongside the tested PiL contributions is shown to be generally unviable.

Purpose Built Shared Living (PBSL) Typologies

- 8.23 The viability appraisals for the PBSL typologies in Value Band D model affordable housing payment in lieu (PiL) contributions or on-site C3 affordable housing for hybrid PBSL and C3 use typologies.
- 8.24 Appraisals for PBSL_1_D, a mixed PBSL and C3 use scheme providing on-site C3 affordable housing, model 20%, 25%, and 35% affordable housing at a tenure split of 60% social rent

and 40% shared ownership alongside scenarios including grant funding and Borough CIL relief. Results, as outlined in Annex 1 Tables 4.5.1 – 4.5.6, indicates very challenging viability with the levels of affordable housing requirements tested even with modelling grant funding and CIL relief.

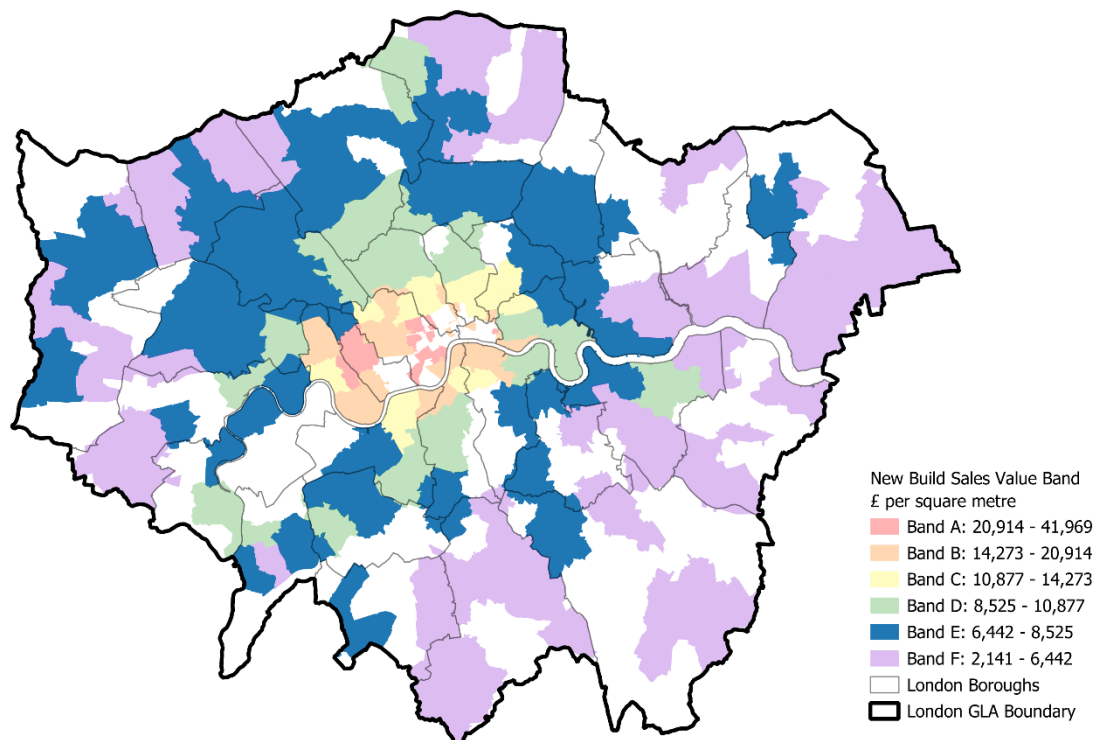
- 8.25 Appraisals for PBSL_2_D and PBSL_3_D model affordable housing payment in lieu (PiL) contributions based on rates of £1,000, £1,500, and £2,000 per square metre. Results are outlined in Annex 1 Tables 4.5.7 – 4.5.11 and show that the typologies cannot viably support any affordable housing PiL, with scenarios without any affordable housing PiL being only viable in at the upper end of the tested rental values alongside construction costs reductions in the lower BLV scenarios.

Key Findings and Conclusions

- 8.26 Testing results in Value Band D point to a ‘tipping point’ where the overall development viability weaken as density and associated construction costs increase. A number of medium and major development typologies remain largely viable, particularly where higher levels of grant funding are potentially deployed to support the viability of some marginal typologies. It is worth noting that the use of alternative delivery models on strategic sites has the potential to improve the viability of the typology and enable delivery of market and affordable housing in more constrained locations. The results of the PBSA and PBSL typologies are mixed and it is expected that PBSA and PBSL developments would more likely come forward in well-connected locations such as town centres within the Value Band D area.

9. VALUE BAND E – OVERVIEW & ANALYSIS

Map 6: Value Band E



Introduction

- 9.1 Value Band E represents the lower range of sales values in London and includes town centres and other locations in outer London. An analysis of residential development in Value Band E identifies that while residential development typologies tend to be of lower density, they are likely to be of larger scale as regeneration schemes or schemes on industrial and public land.
- 9.2 In respect to Value Band E, the LPVS models eleven minor, six medium, nine major, and one strategic site residential typologies alongside two PBSA typologies and three PBSL typologies.

Development Typologies

Table E.1.1 to E.1.5 below outlines the residential development typologies modelled in Value Band E. More detailed breakdowns of all typologies can be found in Annex 2.

Table E.1.1 Band E – Minor Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MIN_RES_1_E	96	Single new-build dwelling house	3	1	136	N/A
MIN_RES_2_E	720	2x terraced 3-storey townhouses	3	2	272	N/A
MIN_RES_3_E	810	4x terraced 3-storey townhouses	3	4	544	N/A
MIN_RES_4_E	810	New-build block providing 8x residential units	4	8	744	N/A
MIN_RES_5_E	810	New-build block providing 9x residential units	5	9	846	N/A
MIN_RES_6_E	1,170	New-build block providing 6x residential units & 2x terraced townhouses	3	8	837	N/A
MIN_RES_7_E	490	New-build block providing 3x residential units with adjoining house	3	4	419	N/A
MIN_RES_8_E	490	New-build block providing 4x residential units with adjoining house	4	5	511	N/A
MIN_RES_9_E	490	New-build block providing 6x residential units	3	6	530	N/A
MIN_RES_10_E	280	New-build block providing 7x residential units	5	7	577	189
MIN_RES_11_E	900	New-build block providing 6x residential units & 3x terraced townhouses	3	9	938	N/A

Table E.1.2 Band E – Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_E	350	New-build block providing 10x residential units	5	10	878	N/A
MED_RES_2_E	1,320	New-build block providing 10x residential units & 5 terraced townhouses	3-5	15	1,549	N/A
MED_RES_3_E	450	New-build block providing 18x residential units	5	18	1,677	80
MED_RES_4_E	1,500	Two new-build blocks providing 28x residential units	4	28	2,687	80
MED_RES_5_E	875	New-build block providing 32x residential units	5	32	2,835	N/A
MED_RES_6_E	875	New-build block providing 42x residential units	7	42	3,654	N/A

Table E.1.3 Band E – Major Residential Development Typologies

Development Typology ID	Site Area (HA)	Description	Storey Height Range	DpHA (Gross)	Total Units	Total PBSA Units (Total PBSL Units)	Total Commercial GIA (sqm)
MAJ_RES_1_E	0.74	Low density residential scheme	5-6	159	118	0 (0)	N/A
MAJ_RES_2_E	0.50	Medium density residential scheme (includes 8x townhouses)	3-10	248	124	0 (0)	200
MAJ_RES_3_E	0.58	Higher density residential scheme	5-14	307	178	0 (0)	200
MAJ_RES_4_E	0.57	Higher density BtR residential scheme	7-16	418	238	0 (0)	N/A
MAJ_RES_5_E	1.50	Residential-led scheme & supermarket re-provision	5-15	375	563	0 (0)	10,094
MAJ_RES_6_E	1.50	BtR Residential-led scheme &	5-15	380	670	0 (0)	9,770

		supermarket re-provision					
MAJ_RES_7_E	4.50	Residential-led scheme & supermarket re-provision	5-20	253	1,138	280 (308)	26,967
MAJ_RES_8_E	9.00	Town Centre Residential led mixed use scheme	7-20	277	2,492	420 (440)	14,354
MAJ_RES_9_E	3.00	Residential led mixed use scheme	6-10	232	697	0 (0)	1.280

Table E.1.4 Band E – PBSA Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSA_1_E_35 % AH	0.38	PBSA & C3 use residential	7-12	232	50	N/A
PBSA_1_E_25 % AH	0.38	PBSA & C3 use residential	5-12	232	33	N/A
PBSA_1_E_20 % AH	0.38	PBSA & C3 use residential	4-12	232	24	N/A
PBSA_2_E	0.33	Medium sized PBSA scheme	9-14	305	N/A	N/A

Table E.1.5 Band E – PBSL Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSL_1_E_35 % AH	0.38	PBSL & C3 use residential	7-12	264	234	500
PBSL_1_E_25 % AH	0.38	PBSL & C3 use residential	5-12	264	67	600
PBSL_1_E_20 % AH	0.38	PBSL & C3 use residential	4-12	264	64	600
PBSL_2_E	0.33	Medium sized PBSL scheme	7-12	293	N/A	N/A
PBSL_3_E	0.20	Small PBSL scheme	12	220	N/A	N/A

Modelling Input Tables

- 9.3 The following section provides an overview of appraisal input assumptions that are specific to Value Band E.
- 9.4 Table E.2 below sets out the assumed sales value assumptions for each benchmark residential unit type adopted in the study's development typologies in relation to Value Band E. The mid-point sales values are shown in bold. The table also outlines each sales value permutation for each benchmark unit type arising from applying incremental 5%-10% increases and decreases to the mid-point value. This modelling is undertaken to account for the wider sales value spectrum found in the value band allowing for viability testing to account for the wider variation in sales values across the spatial area.

Table E.2: Band E – Market Housing Sales Value

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£324,000	£342,000	£360,000	£378,000	£396,000
1B2P	52	560	£360,000	£380,000	£400,000	£420,000	£440,000
2B3P	63	678	£423,000	£446,500	£470,000	£493,500	£517,000
2B4P	72	775	£477,000	£503,500	£530,000	£556,500	£583,000
3B4P	76	818	£504,000	£532,000	£560,000	£588,000	£616,000
3B5P	86	926	£576,000	£608,000	£640,000	£672,000	£704,000
3B6P	95	1,023	£621,000	£655,500	£690,000	£724,500	£759,000
1B2P WC	60	646	£360,000	£380,000	£400,000	£420,000	£440,000
2B4P WC	88	947	£477,000	£503,500	£530,000	£556,500	£583,000
3B6P WC	108	1,163	£621,000	£655,500	£690,000	£724,500	£759,000
3B6P 3-storey Townhouse	136	1,464	£747,000	£788,500	£830,000	£871,500	£913,000
Indicative average blended sales value per square metre			£6,685	£7,057	£7,428	£7,799	£8,171
Indicative average blended sales value per square foot			£621	£655	£690	£724	£759

- 9.5 Table E.3 below sets out the assumed value assumptions for Build to Rent (BTR) benchmark residential unit types adopted in the study's development typologies in relation to Value Band E. The mid-point rental value per calendar month shown in bold. The table also outlines each rental value permutation for each benchmark unit type arising from applying incremental 2.5%-5% increases and decreases to the mid-point rental value

Table E.3: Band E - Build to Rent Values

Unit Type	NSA sqm	NSA sq. ft	- 5%	- 2.5%	Midpoint Monthly Rental Value	+ 2.5%	+ 5%
1B1P	40	431	£1,663	£1,706	£1,750	£1,794	£1,838
1B2P	52	560	£1,900	£1,950	£2,000	£2,050	£2,100
2B3P	63	678	£2,233	£2,291	£2,350	£2,409	£2,468
2B4P	72	775	£2,518	£2,584	£2,650	£2,716	£2,783
3B4P	76	818	£2,613	£2,681	£2,750	£2,819	£2,888
3B5P	86	926	£2,993	£3,071	£3,150	£3,229	£3,308
3B6P	95	1,023	£3,154	£3,237	£3,320	£3,403	£3,486
1B2P WC	60	646	£1,900	£1,950	£2,000	£2,050	£2,100
2B4P WC	88	947	£2,518	£2,584	£2,650	£2,716	£2,783
3B6P WC	108	1,163	£3,154	£3,237	£3,320	£3,403	£3,486
Indicative average blended sales value per square metre			£6,578	£6,751	£6,924	£7,097	£7,271
Indicative average blended sales value per square foot			£611	£627	£643	£659	£675

- 9.6 The following tables (Tables E.4 – E.6) set out the affordable housing sales value per affordable housing tenure in relation to Value Band E.

Table E.4: Band E - Social Rent Values

Unit Type	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£136,568	£2,396	£222
2B3P	69	743	£158,064	£2,291	£213
2B4P	79	850	£166,108	£2,103	£195
3B4P	84	904	£182,371	£2,171	£202
3B5P	95	1,023	£194,001	£2,042	£190
3B6P	105	1,130	£200,057	£1,905	£177
1B2P WC	60	646	£136,568	£2,276	£211
2B4P WC	88	947	£166,108	£1,888	£175
3B6P WC	108	1,163	£200,057	£1,852	£172

Table E.5: Band E – Key Worker Living Rent Values

Unit Type	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£202,299	£3,890	£361
2B3P	63	678	£223,649	£3,550	£330
2B4P	72	775	£214,175	£2,975	£276
3B4P	76	818	£242,110	£3,186	£296
3B5P	86	926	£231,583	£2,693	£250
3B6P	95	1,023	£222,108	£2,338	£217
1B2P WC	60	646	£202,299	£3,372	£313
2B4P WC	88	947	£214,175	£2,434	£226
3B6P WC	108	1,163	£222,108	£2,057	£191

Table E.6: Band E – London Shared Ownership Values

Unit Type	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£280,000	£5,385	£500
2B3P	63	678	£329,000	£5,222	£485
2B4P	72	775	£371,000	£5,153	£479
3B4P	76	818	£392,000	£5,158	£479
3B5P	86	926	£442,013	£5,140	£477
3B6P	95	1023	£440,336	£4,635	£430
1B2P WC	60	646	£280,000	£4,667	£433
2B4P WC	88	947	£371,000	£4,216	£392
3B6P WC	108	1163	£440,336	£4,077	£379

- 9.7 Tables E.7 and E.8 below sets out the assumed value assumptions for PBSA and PBSL benchmark unit types adopted in the study's development typologies in relation to Value Band E. The mid-point rental values are shown in bold. The table also outlines each rental value permutation for each benchmark unit type arising from applying incremental 2.5%-5% increases and decreases to the mid-point rental value.

Table E.7: Band E - PBSA Values

Market PBSA - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Weekly Rental Values	+2.5%	+5%
Cluster - 6 Flats	135	1,453	£1,482	£1,521	£1,560	£1,599	£1,638
Type 1 Studio	18	194	£295	£302	£310	£318	£326
Type 2 Studio	22	237	£304	£312	£320	£328	£336
Type 3 Studio	24	258	£323	£332	£340	£349	£357
Type 4 Studio	26	280	£342	£351	£360	£369	£378
Type 5 Studio WC	26	280	£342	£351	£360	£369	£378
Type 6 Studio Care	18	194	£295	£302	£310	£318	£326
Affordable PBSA (all types)					£199		
OPEX	20%						
Yield	4.25%						
Purchasers Costs	3%						

Table E.8: Band E - PBSL Values

Co-living - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Monthly Rental Values	+2.5%	+5%
Type 1	20	215	£1,425	£1,463	£1,500	£1,538	£1,575
Type 2	24	258	£1,568	£1,609	£1,650	£1,691	£1,733
Type 3	26	280	£1,615	£1,658	£1,700	£1,743	£1,785
Type 4	30	323	£1,710	£1,755	£1,800	£1,845	£1,890
Type 5 WC	36	388	£1,710	£1,755	£1,800	£1,845	£1,890
OPEX	28%						
Yield	4.25%						
Purchasers Costs	3%						

Table E.9: Band E – Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£35.00	£377	12	6.50%	6.8%
Class E Retail	£25.00	£269	12	6.50%	6.8%
Class E Supermarket	£25.00	£269	24	4.75%	6.8%
Class E Healthcare	£25.00	£269	12	6.50%	6.8%
Class F1 & F2 Use	£25.00	£269	12	6.50%	6.8%
Class E Light Industrial	£20.00	£215	12	6.50%	6.8%
B2/B8 Use	£22.50	£242	12	5.00%	6.8%

- 9.8 Tables E.10 – E.11 below set out the residential and non-residential/commercial build cost rates per square metre as advised by Mace Consult in relation to Value Band E.

Table E.10: Band E – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£2,800	£3,200	£3,330	£3,820	£4,340
Residential [BTR]		£3,240	£3,370	£3,820	£4,340
PBSA			£3,530	£4,310	£4,620
PBSL			£3,530	£4,310	£4,620

Table E.11: Band E - Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£3,860	£4,250	£4,550
Office				£3,800	£4,180	£4,490
Office – Lab enabled				£5,680	£6,240	£6,700
Office - Refurbishment				£2,760	£3,030	£3,260
Retail	£3,640					
Supermarket	£3,000					
Light Industrial	£3,140					
Industrial/wareho using	£1,450					
Data Centres	£5,310					
School		£4,510				
Healthcare		£5,790				
Community Centre		£3,380				

Table E.12: Band E – CIL assumed rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£159	£73
Class C2 Market Housing	£159	£73
PBSA Sui Generis	£218	£0
Class E - Supermarket	£167	£0
Class E - Retail GIA	£50	£0
Class C1 - Hotel	£126	£170

Table E.13: Band E – Building Safety Levy rates (per square metre)

Building Safety Levy Rate	Rate
Brownfield land	£27
Greenfield land	£55

Value Band E – Results and Analysis

Minor Residential Development Typologies

- 9.9 The viability appraisals for minor residential typologies in Value Band E assume 100% market housing, as minor developments are not typically subject to affordable housing contributions. In line with build costs advice provided by Mace Consult, the sensitivity analysis for minor residential typologies incorporates a reduction of construction costs from -2.5% to -10% to reflect different pricing characteristics for smaller scale developments, namely those procured through Tier 3 contractors.
- 9.10 Results are set out in Annex 1 Tables 5.1.1 – 5.1.6 and show that majority of the tested typologies to be unviable, indicating suboptimal viability of suburban intensification in Value Band E. Conversely, the results for MIN_RES_1_E and MIN_RES_11_E indicate that those typologies are generally viable within this Value Band, partly due to the lower existing use value of these typologies as back land sites.

Medium Residential Development Typologies

- 9.11 Viability appraisals for the medium residential development typologies in Value Band E model 20% and 35% affordable housing at an affordable housing tenure split of 60% social rent and 40% shared ownership.
- 9.12 Results are outlined in Annex 1 Tables 5.2.1 – 5.2.18 and show a more challenging viability picture compared to the higher Value Bands, with typologies MED_RES_1_E and MED_RES_2_E capable in supporting 20% affordable housing provision at the upper end of the value band E sales value spectrum in the lower BLV scenarios.

Major residential typologies appraisal results

- 9.13 Viability appraisals for the single-phase major residential typologies (MAJ_RES_1_E – MAJ_RES_4_E) model 20%, 25%, and 35% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside scenarios with grant funding and borough CIL relief. Results are outlined in Annex 1 Tables 5.3.1 – 5.3.28 and indicate that these

developments are unviable reflecting high construction costs relative to the lower sales values in Value Band E.

- 9.14 The appraisals for strategic typologies that resemble larger, multi-phase developments apply growth and inflation assumptions and includes scenarios with grant funding and Borough CIL relief. These model only 20% affordable housing at different tenure splits. MAJ_RES_5_E, MAJ_RES_8_E, and MAJ_RES_9_E are multi-phase residential-led mixed use schemes and are modelled at a tenure split of 60% social rent and 40% shared ownership. MAJ_RES_6_E is a multi-phase Build to Rent (BTR) scheme with supermarket re-provision and is modelled at a tenure split of 70% Discount Market Rent (DMR) and 30% Key Worker Living Rent (KWLR). MAJ_RES_7_E is modelled at a tenure split of 60% social rent and 40% DMR. Results are set out in Annex 1 Tables 5.3.29 – 5.3.38. Similar to the results for the single-phase major typologies, these typologies are generally unviable, with viability worsening as density increases.

Major Strategic Site Typologies

- 9.15 The viability appraisal of MAJ_RES_SS_1_E models 25% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside increased grant funding rates of £90,000 per share ownership unit and £360,000 per social rent unit, borough CIL relief and a low interest loan of 0.1% applied to affordable housing build costs. The scenario seeks to illustrate the use of a Mayor Development Order (MDO) or Local Development Order (LDO) to grant a planning consent providing an ‘oven ready’ scheme with a public sector development body providing oversight of the delivery. The appraisal amends the professional fees allowance to 6.5% to account for the fact that some upfront projects costs could not apply in light of MDO granted consent and also adopts a profit of 10% on cost commensurate with a public sector development body overseeing the delivery. The appraisal also models a ‘demand-side initiative’ in the first phase for the market sales housing resulting in a 100% off-plan sales rate for those units.
- 9.16 The results, as shown in Annex 1 Table 5.3.39, indicate that the typology under the alternative delivery model is generally viable with better viability outcomes at the upper end of the sales value spectrum alongside construction cost reductions.

Purpose-Built Student Accommodation (PBSA) Typologies

- 9.17 The viability appraisals for PBSA_1_E, which resembles a mixed PBSA and C3 use scheme providing on-site C3 affordable housing, model 20%, 25%, and 35% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside scenarios including

grant funding and Borough CIL relief. Results are outlined in Annex 1 Tables 5.4.1 – 5.4.6 and show all scenarios to be unviable.

- 9.18 The viability appraisals for PBSA_2_E model Affordable Student Accommodation (ASA) at 20%, 25%, and 35% and additional affordable housing payment in lieu (PiL) contributions based on rates of £50, £75, and £100 per square metre on market PBSA floorspace. Results are set out in Annex 1 Tables 5.4.7 – 5.4.18 and show that that 20% ASA is viable in the majority of scenarios against the lowest BLV and unviable against the highest BLV. When tested against the medium BLV scenario (BLV 2), 20% ASA is only viable at rental values at the very upper end of the rental value spectrum alongside reductions in build costs. The addition of the tested additional affordable housing PiL contributions shows reductions in the residual land values reducing viability, but the changes in viability are not shown to be extensive. 25% ASA is only viable at the very upper end of rental values alongside construction costs reductions and against lower BLVs. The addition of affordable housing PiL contributions reduces viability but does not significantly alter the overall picture. 35% ASA is largely unviable.

Purpose-Built Shared Living (PBSL) Typologies

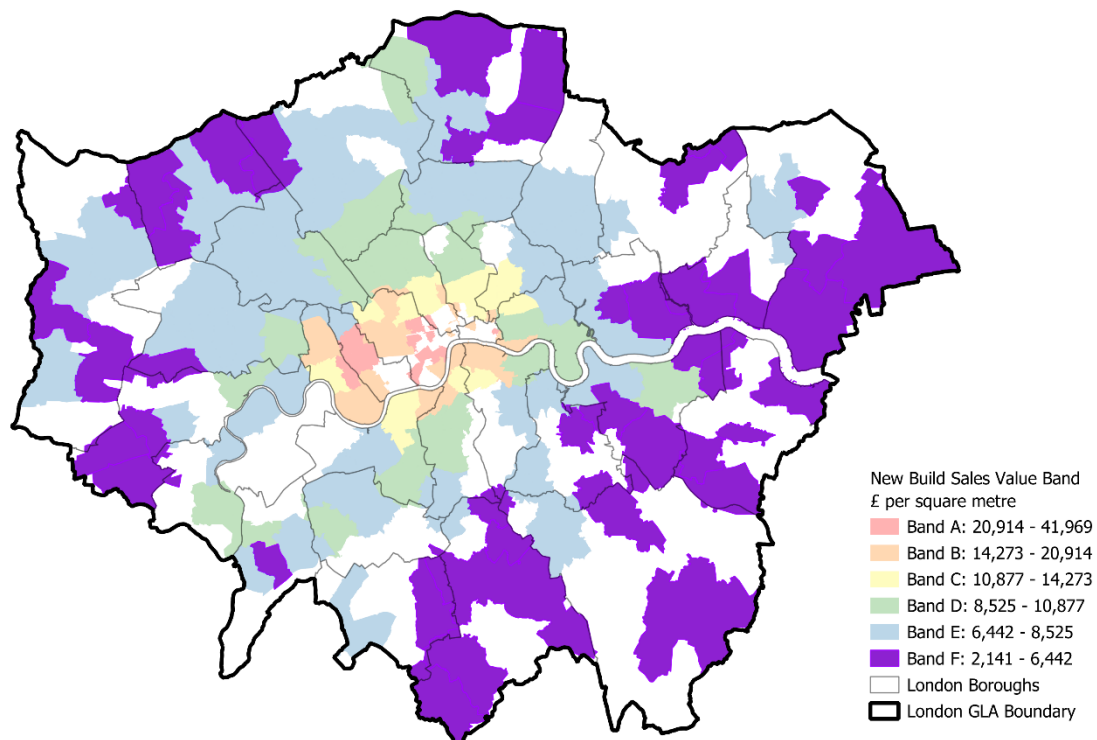
- 9.19 The viability appraisals for the PBSL typologies in Value Band E model affordable housing payment in lieu (PiL) contributions or on-site C3 affordable housing for hybrid PBSL and C3 use typologies.
- 9.20 Appraisals for PBSL_1_E, a mixed PBSL and C3 use scheme providing on-site C3 affordable housing, model 20% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside scenarios including grant funding and Borough CIL relief. Results, as outlined in Annex 1 Tables 5.5.1 – 5.5.2, indicate that 20% affordable housing is unviable even when applying grant funding and borough CIL relief.
- 9.21 Appraisals for PBSL_2_E and PBSL_3_E model affordable housing payment in lieu (PiL) contributions based on rates of £250 and £500 per square metre. Results are outlined in Annex 1 Tables 5.5.3 – 5.5.7 and show that the typologies cannot viably support any affordable housing PiL contribution. PBSL_2_E, a medium sized PBSL development typology, is shown to be unviable even with no affordable housing PiL whereas PBSL_3_E, a small PBSL development typology, is only viable with no affordable housing PiL at the very upper end of the rental value spectrum alongside construction costs reductions against the lowest BLV.

Key Findings and Conclusions

- 9.22 The results of the viability testing show a challenging landscape in Value Band E. The results of the testing for residential development typologies indicate that viability decreases as density increases, as the higher construction costs associated with higher densities consume a higher proportion of the lower sales values in the Value Band E area. The viability analysis shows the need for alternative delivery models to be employed on strategic sites to operate in the significantly more challenging viability climate in the Value Band E area. The viability of PBSA and PBSL in the Value Band E location is also shown to be challenging. However, it is expected that these forms of development would only likely come forward in highly accessible locations such as town centres where rental values are likely to be higher in supporting the schemes' viability.

10. VALUE BAND F – OVERVIEW & ANALYSIS

Map 7: Value Band F



Introduction

- 10.1 Value Band F consists of the lowest market sales values in London located largely in suburban and greenfield land in outer London. Analysis of residential development in Value Band F identify small-scale residential developments as the primary typology being delivered in the area. This includes RP and council-led delivery of small-scale schemes with high levels of affordable housing as well as residential intensification in suburban locations. Larger scale developments are more likely to be brought forward on industrial land and/or in the form of town centre and retail park redevelopments.

Development Typologies

Table F.1.1 to F.1.5 below outlines the residential development typologies modelled in Value Band F. More detailed breakdowns of all typologies can be found in Annex 3.

Table F.1.1 Band F – Minor Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MIN_RES_1_F	96	Single new-build dwelling house	3	1	136	N/A
MIN_RES_2_F	720	2x terraced 3-storey townhouses	3	2	272	N/A
MIN_RES_3_F	810	4x terraced 3-storey townhouses	3	4	544	N/A
MIN_RES_4_F	810	New-build block providing 8x residential units	4	8	744	N/A
MIN_RES_5_F	810	New-build block providing 9x residential units	5	9	846	N/A
MIN_RES_6_F	1,170	New-build block providing 6x residential units & 2x terraced townhouses	3	8	837	N/A
MIN_RES_7_F	490	New-build block providing 3x residential units with adjoining house	3	4	419	N/A
MIN_RES_8_F	490	New-build block providing 4x residential units with adjoining house	4	5	511	N/A
MIN_RES_9_F	490	New-build block providing 6x residential units	3	6	530	N/A
MIN_RES_10_F	280	New-build block providing 7x residential units	5	7	577	189
MIN_RES_11_F	900	New-build block providing 6x residential units & 3x terraced townhouses	3	9	938	N/A

Table F.1.2 Band F – Medium Residential Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total Units	Total Residential GIA (sqm)	Total Commercial GIA (sqm)
MED_RES_1_F	350	New-build block providing 10x residential units	5	10	878	N/A
MED_RES_2_F	1,320	New-build block providing 10x residential units & 5 terraced townhouses	3-5	15	1,549	N/A
MED_RES_3_F	450	New-build block providing 18x residential units	5	18	1,677	80
MED_RES_4_F	1,500	Two new-build blocks providing 28x residential units	4	28	2,687	80
MED_RES_5_F	875	New-build block providing 32x residential units	5	32	2,835	N/A
MED_RES_6_F	875	New-build block providing 42x residential units	7	42	3,654	N/A

Table F.1.3 Band F – Major Residential Development Typologies

Development Typology ID	Site Area (HA)	Description	Storey Height Range	DpHA (Gross)	Total Units	Total PBSA Units (Total PBSL Units)	Total Commercial GIA (sqm)
MAJ_RES_1_F	0.74	Low density residential scheme	5-6	159	118	0 (0)	N/A
MAJ_RES_2_F	0.50	Medium density residential scheme (includes 8x townhouses)	3-10	248	124	0 (0)	200
MAJ_RES_3_F	0.58	Higher density residential scheme	5-14	307	178	0 (0)	200
MAJ_RES_4_F	0.57	Higher density BtR residential scheme	7-16	418	238	0 (0)	N/A
MAJ_RES_5_F	1.50	Residential-led scheme & supermarket re-provision	5-15	375	563	0 (0)	10,094
MAJ_RES_6_F	1.50	BtR Residential-led scheme &	5-15	380	670	0 (0)	9,770

		supermarket re-provision					
MAJ_RES_7_F	4.50	Residential-led scheme & supermarket re-provision	5-20	253	1,138	280 (308)	26,967
MAJ_RES_8_F	3.00	Residential led mixed use scheme	6-10	232	697	0 (0)	1.280

Table F.1.4 Band F – PBSA Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSA_1_F	0.33	Medium sized PBSA scheme	9-14	305	N/A	N/A

Table F.1.5 Band F – PBSL Development Typologies

Typology ID	Site Area (sqm)	Description	Storey Height Range	Total PBSA Units	Total Residential Units	Total Commercial GIA (sqm)
PBSL_1_F	0.33	Medium sized PBSL scheme	7-12	293	N/A	N/A

Modelling Input Tables

- 10.2 The following section provides an overview of appraisal input assumptions that are specific to Value Band F.
- 10.3 Table F.2 below sets out the assumed sales value assumptions for each benchmark residential unit type adopted in the study's development typologies in relation to Value Band F. The mid-point sales values are shown in bold. The table also outlines each sales value permutation for each benchmark unit type arising from applying incremental 5%-10% increases and decreases to the mid-point value. This modelling is undertaken to account for the wider sales value spectrum found in the value band allowing for viability testing to account for the wider variation in sales values across the spatial area.

Table F.2: Band F – Market Housing Sales Values

Unit Type	NSA sqm	NSA sq. ft	-10%	-5%	Mid-Point Sales Values	+ 5%	+ 10%
1B1P	40	431	£252,000	£266,000	£280,000	£294,000	£308,000
1B2P	52	560	£270,000	£285,000	£300,000	£315,000	£330,000
2B3P	63	678	£324,000	£342,000	£360,000	£378,000	£396,000
2B4P	72	775	£342,000	£361,000	£380,000	£399,000	£418,000
3B4P	76	818	£360,000	£380,000	£400,000	£420,000	£440,000
3B5P	86	926	£432,000	£456,000	£480,000	£504,000	£528,000
3B6P	95	1,023	£477,000	£503,500	£530,000	£556,500	£583,000
1B2P WC	60	646	£270,000	£285,000	£300,000	£315,000	£330,000
2B4P WC	88	947	£342,000	£361,000	£380,000	£399,000	£418,000
3B6P WC	108	1,163	£477,000	£503,500	£530,000	£556,500	£583,000
3B6P 3-storey Townhouse	136	1,464	£576,000	£608,000	£640,000	£672,000	£704,000
Indicative average blended sales value per square metre			£4,959	£5,235	£5,511	£5,786	£6,062
Indicative average blended sales value per square foot			£461	£486	£512	£537	£563

- 10.4 Table F.3 below sets out the assumed value assumptions for Build to Rent (BTR) benchmark residential unit types adopted in the study's development typologies in relation to Value Band F. The mid-point rental value per calendar month shown in bold. The table also outlines each rental value permutation for each benchmark unit type arising from applying incremental 2.5%-5% increases and decreases to the mid-point rental value.

Table F.3: Band F - Build to Rent Values

Unit Type	NSA sqm	NSA sq. ft	- 5%	- 2.5%	Midpoint Weekly Rental Value	+ 2.5%	+ 5%
1B1P	40	431	£1,330	£1,365	£1,400	£1,435	£1,470
1B2P	52	560	£1,520	£1,560	£1,600	£1,640	£1,680
2B3P	63	678	£1,710	£1,755	£1,800	£1,845	£1,890
2B4P	72	775	£1,995	£2,048	£2,100	£2,153	£2,205
3B4P	76	818	£2,090	£2,145	£2,200	£2,255	£2,310
3B5P	86	926	£2,328	£2,389	£2,450	£2,511	£2,573
3B6P	95	1,023	£2,489	£2,555	£2,620	£2,686	£2,751
1B2P WC	60	646	£1,520	£1,560	£1,600	£1,640	£1,680
2B4P WC	88	947	£1,995	£2,048	£2,100	£2,153	£2,205
3B6P WC	108	1,163	£2,489	£2,555	£2,620	£2,686	£2,751
Indicative average blended sales value per square metre			£4,893	£5,022	£5,151	£5,279	£5,408
Indicative average blended sales value per square foot			£454	£466	£478	£490	£502

10.5 The following tables (Tables F.4 – F.6) set out the affordable housing sales value per affordable housing tenure in relation to Value Band F.

Table F.4: Band F - Social Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	57	614	£116,697	£2,047	£190
2B3P	69	743	£136,206	£1,974	£183
2B4P	79	850	£136,301	£1,725	£160
3B4P	84	904	£150,577	£1,793	£167
3B5P	95	1,023	£162,207	£1,707	£159
3B6P	105	1,130	£168,264	£1,603	£149
1B2P WC	60	646	£116,697	£1,945	£181
2B4P WC	88	947	£136,301	£1,549	£144
3B6P WC	108	1,163	£168,264	£1,558	£145

Table F.5: Band F – Key Worker Living Rent Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£173,551	£3,338	£310
2B3P	63	678	£206,139	£3,272	£304
2B4P	72	775	£196,665	£2,731	£254
3B4P	76	818	£229,826	£3,024	£281
3B5P	86	926	£219,299	£2,550	£237
3B6P	95	1,023	£209,825	£2,209	£205
1B2P WC	60	646	£173,551	£2,893	£269
2B4P WC	88	947	£196,665	£2,235	£208
3B6P WC	108	1,163	£209,825	£1,943	£180

Table F.6: Band F – London Shared Ownership Values

Unit Type (M4(2))	Unit NSA sqm	Unit NSA sq.ft	Sales Value	Sales Value psm	Sales Value psf
1B2P	52	560	£210,000	£4,038	£375
2B3P	63	678	£252,000	£4,000	£372
2B4P	72	775	£266,000	£3,694	£343
3B4P	76	818	£280,000	£3,684	£342
3B5P	86	926	£336,000	£3,907	£363
3B6P	95	1,023	£371,000	£3,905	£363
1B2P WC	60	646	£210,000	£3,500	£325
2B4P WC	88	947	£266,000	£3,023	£281
3B6P WC	108	1,163	£371,000	£3,435	£319

- 10.6 Tables F.7 and F.8 below sets out the assumed value assumptions for PBSA and PBSL benchmark unit types adopted in the study's development typologies in relation to Value Band F. The mid-point rental values are shown in bold. The table also outlines each rental value permutation for each benchmark unit type arising from applying incremental 2.5%-5% increases and decreases to the mid-point rental value.

Table F.7: Band F - PBSA Values

Market PBSA - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Weekly Rental Values	+2.5%	+5%
Cluster - 6 Flats	135	1,453	£1,368	£1,404	£1,440	£1,476	£1,512
Type 1 Studio	18	194	£266	£273	£280	£287	£294
Type 2 Studio	22	237	£276	£283	£290	£297	£305
Type 3 Studio	24	258	£295	£302	£310	£318	£326
Type 4 Studio	26	280	£314	£322	£330	£338	£347
Type 5 Studio WC	26	280	£314	£322	£330	£338	£347
Type 6 Studio Care	18	194	£266	£273	£280	£287	£294
Affordable PBSA (all types)					£199		
OPEX	20%						
Yield	4.25%						
Purchasers Costs	3%						

Table F.8: Band F - PBSL Values

Co-living - Unit Types	Unit NIA sqm	Unit NIA sq.ft	-5%	-2.5%	Mid-Point Monthly Rental Values	+2.5%	+5%
Type 1	20	215	£1,283	£1,316	£1,350	£1,384	£1,418
Type 2	24	258	£1,378	£1,414	£1,450	£1,486	£1,523
Type 3	26	280	£1,425	£1,463	£1,500	£1,538	£1,575
Type 4	30	323	£1,539	£1,580	£1,620	£1,661	£1,701
Type 5 WC	36	388	£1,539	£1,580	£1,620	£1,661	£1,701
OPEX	28%						
Yield	4.25%						
Purchasers Costs	3%						

Table F.9: Band F – Non-residential/Commercial assumptions

Use Types	Rent p.a. £psf	Rent p.a. £psm	Rent Free Period (Months)	NI Yield	Purchaser's Costs
Class E Office	£65.00	£700	24	5.25%	6.8%
Class E Retail	£55.00	£592	12	4.75%	6.8%
Class E Supermarket	£25.00	£269	24	4.75%	6.8%
Class E Healthcare	£35.00	£377	12	5.50%	6.8%
Class F1 & F2 Use	£35.00	£377	12	5.50%	6.8%

10.7 Tables F.10 – F.11 below set out the residential and non-residential/commercial build cost rates per square metre as advised by Mace Consult in relation to Value Band F.

Table F.10: Band F – Residential Build Costs

Build Cost Type (£psm)	Construction Building Heights				
	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30 + Storeys Flats
Residential [BFS]	£2,800	£3,200	£3,330	£3,820	£4,340
Residential [BTR]		£3,240	£3,370	£3,820	£4,340
PBSA			£3,530	£4,310	£4,620
PBSL			£3,530	£4,310	£4,620

Table F.11: Band F - Non-Residential/Commercial Build Costs

Build Cost Type (£psm)	Construction Building Heights					
	1-2 storey	2-3 storey	4-6 storey	7-15 Storey	16-30 Storey	30+ Storey
Hotel				£3,860	£4,250	£4,550
Office				£3,800	£4,180	£4,490
Office – Lab enabled				£5,680	£6,240	£6,700
Office - Refurbishment				£2,760	£3,030	£3,260
Retail	£3,640					
Supermarket	£3,000					
Light Industrial	£3,140					
Industrial/warehousing	£1,450					
Data Centres	£4,400					
School		£4,510				
Healthcare		£5,790				
Community Centre		£3,380				

Table F.12: Band F – CIL assumed rates (per square metre)

CIL Rates	Value Band BCIL	Value Band MCIL2
Class C3 Market Housing	£110	£30
Class C2 Market Housing	£110	£30
PBSA Sui Generis	£210	£0
Class E - Supermarket	£275	£0
Class E - Retail GIA	£16	£0
Class C1 - Hotel	£68	£0

Table F.13: Band F – Building Safety Levy Rates (per square metre)

Building Safety Levy Rates	Rate
Brownfield land	£21
Greenfield land	£42

Results and Analysis

Minor Residential Development Typologies

- 10.8 The viability appraisals for minor residential typologies in Value Band F assume 100% market housing. In line with build costs advice provided by Mace Consult, the sensitivity analysis for minor residential typologies incorporates a reduction of construction costs from -2.5% to -10% to reflect different pricing characteristics for smaller scale developments, namely those procured through Tier 3 contractors.
- 10.9 The results are set out in Annex 1 Tables 6.1.1 – 6.1.11 and indicate that these are unviable in the current climate. This includes typologies MIN_RES_2_F – MIN_RES_9_F which model small-scale residential intensification in suburban locations.

Medium Residential Development Typologies

- 10.10 Viability appraisals for the medium residential development typologies in Value Band F model 20% and 35% affordable housing at a tenure split of 60% social rent and 40% shared ownership.
- 10.11 As set out in Annex 1 Tables 6.2.1 – 6.2.18, due to the lower sales values assumed, the analysis shows that the typologies tested are generally unviable within this Value Band in the current climate.

Major Residential Development Typologies

- 10.12 Viability appraisals for the single-phase Build for Sale (BfS) typologies (MAJ_RES_1_F – MAJ_RES_3_F) model 20%, 25%, and 35% affordable housing at a tenure split of 60% social rent and 40% shared ownership alongside scenarios with grant funding and borough CIL relief. MAJ_RES_4_F is a build to rent (BTR) scheme and models 20%, 25% and 35% affordable housing at a tenure split of 60% Discount Market Rent (DMR) and 40% Key Worker Living Rent (KWLR). The results are set out in Annex 1 Tables 6.3.1 – 6.3.28.
- 10.13 The appraisals for typologies that resemble larger, multi-phase developments (MAJ_RES_5_F onwards) assume growth and inflation and include scenarios with grant funding and Borough CIL relief. These model 20% affordable housing at different tenure splits across the BfS and BTR typologies. The BfS typologies (MAJ_RES_5_F, MAJ_RES_7_F, MAJ_RES_8_F) model an affordable housing tenure split of 60% social rent and 40% shared ownership while MAJ_RES_6_F, resembling a BTR scheme, models an affordable housing tenure split of 70% DMR and 30% KWLR. Results are set out in Annex 1 Tables 6.3.29 – 6.3.36. In line with the minor and medium typologies, appraisals for the major residential typologies indicate that schemes within this Value Band are likely to be unviable in general in the current climate. This is predominantly due to the lower sales values within this Value Band unable to provide the required headroom above the assumed development costs to produce viable outcomes. In light of the results, it may require further sensitivity analysis to be undertaken to consider alternative development scenarios in phase 2 of this Study.

Purpose-Built Student Accommodation (PBSA) Typologies

- 10.14 Viability appraisals for the PBSA typology in Value Band F model 20%, 25%, and 35% affordable student accommodation (ASA). The results are set out in Annex 1 Tables 6.4.1 – 6.4.3, which indicate that schemes within this Value Band are unlikely to be able to support the tested affordable student accommodation levels.

Purpose-Built Shared Living (PBSL) Typologies

- 10.15 The viability appraisal for the PBSL typology in Value Band F does not incorporate any affordable housing payment in lieu (PiL) contributions. As shown in Annex 1 Table 6.5.1, the typology cannot viably support any affordable housing PiL contribution in Value Band F.

Key Findings and Conclusions

- 10.16 Results of the viability analysis for Value Band F show a very challenging picture. However, despite this, there is scope for small-scale residential development to be delivered by the SME sector in Value Band F. Due to the lower value differential between open market housing and affordable housing, there is an inherent disposition for grant funding to have a greater impact in supporting viability and delivery.
- 10.17 GLA analysis of construction starts and completions within the Value Band F area also highlights the potential for RP and Council led delivery of small-scale schemes providing high levels of affordable housing. In addition, SME developers have often delivered smaller scale schemes with higher levels (or sometime entirely) affordable housing to turn-key specification and sold the completed development to small medium sized RPs.
- 10.18 Additional analysis carried out by the GLA is set out in Annex 6, which shows that there has been significant affordable housing delivery within Value Band F. The effects of affordable housing in supporting delivery are also most stark in this Value Band, where it was much more likely for schemes with higher levels of affordable housing to have commenced or completed.
- 10.19 It is considered that the use of alternative delivery models may also have a significant role to play in supporting affordable housing delivery within the Value Band F area.

11. Green Belt – Overview & Analysis

Introduction

- 11.1 In line with the NPPF, Draft NPPF and the Draft London Plan policies for greenbelt development, the LPVS incorporates the viability analysis of a series of greenbelt residential development typologies. The formulation of the greenbelt residential typologies was informed by a review of pre-application and current planning applications on greenbelt sites as well as GLA workstreams focusing on locations for strategic greenbelt release. The Draft London Plan envisages ‘landscape-led developments’ in London’s greenbelt which offer high quality urban design and placemaking which fully assimilate into their greenbelt locations. Greater proportions of open space are required alongside densities that promote sustainable forms of transport and ensure efficient and optimised use of greenbelt land.
- 11.2 The viability analysis of greenbelt residential typologies intends to understand the viability profiles of typologies modelling different densities and the levels of public subsidy and interventions required to support housing delivery which meets the relevant policies and objectives of the new Draft London Plan and the NPPF.
- 11.3 Typologies GB_RES_1 to GB_RES_7 represent the types of greenbelt sites expected to come forward through the development management process. These have been modelled applying Value Band D and Value Band E appraisal inputs. Value Band F appraisal inputs have only been applied in GB_RES_1 to GB_RES_3 as it was clear from initial analysis that the viability of higher density typologies in these locations would be challenging.
- 1.2 Typologies GB_SS_RES_1 and GB_SS_RES_2 represent Plan-led strategic greenbelt release. The viability analysis of these strategic typologies assumes that the costs of the necessary enabling infrastructure would be provided by governmental grant funding or low-cost financing. Initial viability analysis indicates an absence of ‘day one’ development value of the magnitude that supports emerging policy requirements and meet the costs of providing enabling transport infrastructure, which infers that development values would need to be synthesised over time through phased strategic placemaking as schemes are delivered. Land value capture mechanisms such as tax incremental financing or a ring fencing of stamp duty receipts over a number of years are examples of potential tools which could be employed to facilitate debt repayments. Borrowing against future forecasted CIL receipts arising in later development phases of a masterplan development could also form a potential option, with legislative changes to the CIL Regulations in order to facilitate such an approach.

- 11.4 GB_SS_RES_1 is modelled using Value Band D appraisal inputs and contains early development phases featuring building height ranges of 5-6 storeys before falling back 3-5 storeys to stimulate a density gradient defined by earlier phases having stronger levels of public transport accessibility. It contains significant proportions of open space and allowances for larger separation distanced between taller buildings, and this is reflected in the development's lower site coverage of 26%.
- 11.5 GB_SS_RES_2 is modelled using Value Band E appraisal inputs and contains early development phases featuring building height 3-6 storeys before falling back 3-5 storeys. The typology contains a larger proportion of 3-storey terraced town houses and a much more compressed tighter urban form showcasing that overall density can be increased in this manner without the need to introduce taller building elements.
- 11.6 The table below sets out summary overviews for each of the greenbelt development typologies modelled in the LPVS. Detailed information in respect to the greenbelt development typologies is set out in Annex 3.

Table G.1: Overview of Greenbelt Development Typologies

Development Typology ID	Site Area (HA)	DpHA (Gross)	Site Coverage (%)	Storey height range	Total number of Residential units	Non-residential floorspace (GIA) sqm
GB_RES_1	0.25	40	19%	3	10	0
GB_RES_2	0.76	40	25%	3	40	0
GB_RES_3	0.81	167	40%	5	136	0
GB_RES_4	1.25	188	29%	7-9	236	200
GB_RES_5	2.50	86	36%	3-5	216	0
GB_RES_6	2.00	49	24%	3-5	98	1,525
GB_RES_7	2.50	155	31%	3-9	388	200
GB_SS_RES_1	14.00	103	26%	3-6	1,438	600
GB_SS_RES_2	15.00	148	42%	3-6	2,224	0

Viability Testing of Greenbelt Development Typologies

- 11.7 The appraisals for the greenbelt development typologies model 50% affordable housing at a tenure split of 50% intermediate housing and 50% social rent. They assume two scenarios in respect to grant funding and borough CIL, the first being nil grant funding and full CIL contributions and the other including grant funding and a CIL 'in-kind' approach whereby the Borough CIL contribution is provided as onsite infrastructure. Grant funding has been applied to affordable housing units above the initial 10% of units using current AFR grant rent benchmarks for intermediate and social rent units. In addition, the higher density

typologies (GB_RES_3, GB_RES_4, GB_RES_5, GB_RES_7, GB_SS_RES_1, GB_SS_RES_2) also model indicative increased grant funding rates to understand the potential levels of grant funding additionality required to support policy requirements within schemes at higher densities. Table G.2 below sets out the modelled indicative grant funding assumptions for each typology.

Table G.2: Indicative Increased Grant Funding Rates

Development Typology ID	Site Area (HA)	DpHA (Gross)	Site Coverage (%)	Storey height range	Indicative intermediate unit grant funding benchmark	Indicative social rent unit grant funding benchmark
GB_RES_3	0.81	167	40%	5	£90,000	£390,000
GB_RES_4	1.25	188	29%	7-9	£90,000	£390,000
GB_RES_5	2.50	86	36%	3-5	£90,000*	£390,000*
GB_RES_7	2.50	155	31%	3-9	£90,000*	£390,000*
GB_SS_RES_1	14.00	103	26%	3-6	£90,000*	£350,000*
GB_SS_RES_2	15.00	148	42%	3-6	£90,000*	£350,000*
*Indicates that higher grant rates were applied only to phases/plots of 5-storeys and above. AFR grant rates applied to phases/plots below 5-storeys.						

- 11.8 Viability testing results of greenbelt development typologies including grant funding and a CIL in-kind approach are set out in Annex 1 Chapter 7, whereas results of nil-grant scenarios modelling Borough CIL are outlined in Annex 1 Chapter 8.
- 11.9 It is acknowledged that there is an inherent difficulty in assessing values and cost assumptions for greenbelt locations where very little new build evidence currently exists. Large-scale greenbelt development will generate their own environments and high-quality urban design, architectural design and landscape integration which will be key to cultivating placemaking and associated sales value ‘place-making premiums’. Tenure and housing type diversification within greenbelt developments will be important for realising strong absorption rates which support a timely build out and delivery of new homes.
- 11.10 It is considered that there may be some scope for reduced construction costs for the greenbelt typologies given that Mace Consult’s benchmark cost data was drawn from urban locations and costs will likely differ between the two including a difference in preliminary costs. On this basis it is expected that the testing in this Phase 1 report may overstate the overall development costs and therefore understate the viability of greenbelt development to some extent. This will be considered further in the phase 2 report.

Greenbelt Value Band D Results and Analysis

- 11.11 Viability appraisals for the greenbelt development typologies applying Value Band D input assumptions (GB_RES_1 to GB_RES_7) model 50% affordable housing at a tenure split of 50% social rent and 50% intermediate alongside grant funding and a CIL ‘in-kind’ approach.
- 11.12 Results are set out in Annex 1 Tables 7.1.1 – 7.1.11 and show an improvement in viability profiles compared to the nil-grant scenarios outlined in Annex 1 Tables 8.1.1 – 8.1.7, which are mostly unviable. There is however only marginal improvements in the viability of higher density development typologies and those which include a higher density phase (GB_RES_3, GB_RES_4 and GB_RES_5). While the higher indicative grant rates applied to these typologies serves to uplift viability profiles, the general pattern shows a deterioration in viability as density increases, and points to a likely storey height cap of 6-storeys on the basis of Value Band D values and costs.
- 11.13 The viability appraisal of strategic greenbelt development typology GB_SS_RES_1 adopts Value Band D appraisal inputs using current AFR grant rates for phases comprising of building typologies below 5 storeys and indicative higher grant rates for phases comprising of building typologies above 5 storeys alongside a borough CIL in-kind approach. The results, as set out in Annex 1 Table 7.1.12, point to the potential of larger-scale greenbelt developments being viable under the typical developer delivery model in Value Band D alongside grant funding and a CIL in-kind approach.

Greenbelt Value Band E Results and Analysis

- 11.14 Viability appraisals for the greenbelt development typologies applying Value Band E input assumptions (GB_RES_1 to GB_RES_7) model 50% affordable housing at a tenure split of 50% social rent and 50% intermediate alongside grant funding and a CIL ‘in-kind’ approach.
- 11.15 Results are set out in Annex 1 Tables 7.2.1 – 7.2.11 and show very limited viability scenarios. Lower density development typologies GB_RES_1 and GB_RES_2, comprised solely of terraced 3-storey townhouses, are generally viable with AFR grant rates alongside CIL ‘in-kind’. In line with the pattern observed in Value Band D, viability deteriorates as density increases in Value Band E. Lower sales values in the Value Band E area further constrains higher density forms of development.
- 11.16 Results from nil-grant scenarios are set out in Annex 1 Tables 8.2.1 – 8.2.7 and show only one development typology (GB_RES_6) being viable as a result of the supermarket use providing additional development value cross-subsidy.

- 11.17 The viability appraisal of the strategic greenbelt development typology GB_SS_RES_2 adopts Value Band E appraisal inputs using current AFR grant rates for phases comprising of building typologies below 5 storeys and indicative higher grant rates for phases comprising of building typologies above 5 storeys alongside a borough CIL in-kind approach. The modelling reflects an alternative delivery model scenario in which a Mayoral Development Order (MDO) or Local Development Order (LDO) has been utilised to grant consent for the masterplan. The appraisal reduces professional fees to 6.5% and adopts a developer's profit of 10% profit on cost commensurate with the public sector or RP led JV building out an extant masterplan consent. The appraisal also includes a low interest loan of 0.1% applied to the construction cost of all affordable housing elements. The results, set out in Annex 1 Table 7.2.12, show multiple viable scenarios with high residual land values being generated where sales values are 5% and 10% greater than the mid-point sales values. While sales values would likely sit at the lower end of the Value Band E sales value spectrum for greenbelt sites, the results provide sufficient assurance that a public sector led delivery model could viably delivery larger scale development coming forward in Value Band E locations as a result of strategic greenbelt release. Furthermore, the results point towards scope for unwinding some of the public subsidy measures indicatively applied in the appraisal, whilst maintaining viable scenarios, to appropriately calibrate the amount of grant funding and low-cost loan to ensure an efficient use of public subsidy that does not unduly inflate land values.

Greenbelt Value Band F Results and Analysis

- 11.18 Viability appraisals for the greenbelt development typologies applying Value Band F input assumptions (GB_RES_1 and GB_RES_2) model 50% affordable housing at a tenure split of 50% social rent and 50% intermediate alongside grant funding and a CIL 'in-kind' approach.
- 11.19 As set out in Annex 1 Tables 7.3.1 – 7.3.4, there are no viable scenarios even with grant funding and CIL 'in-kind'.

Key Findings and Conclusions

- 11.20 Overall, appraisal results from the Green Belt development typologies indicate that the 50% affordable housing requirement cannot be viably supported through development value alone and therefore requires grant funding. These also demonstrate the importance of a public sector-led delivery model in supporting strategic greenbelt release, particularly in lower value areas of the green belt.

- 11.21 It is considered that the NPPF, Draft NPPF and London Plan's policy requirements for large-scale strategic greenbelt sites including 50% affordable housing is deliverable under a public sector-led delivery model. There will however be a need for additional granting funding or supporting finance packages in respect to meeting the costs of enabling supporting infrastructure.

12. CONCLUSION

- 12.1 Whilst the LPVS as an evidence base document is being undertaken at a certain point in time in which macro-economic conditions have created a very challenging housing delivery climate, the Draft London Plan is a longer-term spatial development strategy which will span different economic cycles and needs to take a longer-term pan-London strategic focus. It also reflects that the viability landscape of London will evolve as market conditions change, and with the delivery of new development, place-making and new transport initiatives.
- 12.2 The Draft London Plan's affordable housing thresholds and the spatial assignment of these are considered to be sound for strategic plan-making purposes.
- 12.3 The viability testing of PBSA typologies indicates that these are generally capable of viably delivering levels of affordable student accommodation in line with the locational area although their viability is somewhat constrained in Outer London locations. The viability testing of PBSL typologies indicates stronger viability profiles in inner London locations with viability constrained in Outer London locations; however, it would be expected that these types of development would generally only come forward in well-connected accessible locations. The testing indicates that PBSA and PBSL can provide threshold compliant levels of conventional affordable housing in higher value areas reflecting patterns of development recently seen through the development management process.
- 12.4 A range of affordable workspace policy permutations have been assessed for office developments with the results indicating that these should be generally viable in the CAZ, but more challenging to deliver in other areas. Low level financial contributions towards workspace contributions from industrial schemes (B2 and B8 use) should be viable in the majority of cases. It will be the role of Borough Local Plans, and their supporting area-wide viability assessment, to inform affordable workspace policies.
- 12.5 Appropriate allowances have been included in the viability testing to account for a range of other Draft London planning policy requirements, but further testing will be carried out in a number of areas as part of phase 2 of the LPVS.

- 12.6 Overall, the policies of the Draft London Plan are considered to be appropriately formulated to address key strategic planning matters, and these should not place any significant viability burdens which would be detrimental to the delivery of the Plan. The retention of the 'Viability Tested Route' in the Draft London Plan also ensures that schemes with viability constraints can access this route to enable decision-makers to assess the maximum viable level of planning policy requirements which allows for a deliverable scheme, alongside other considerations.

APPENDICES

APPENDIX 1 – BENCHMARK CONSTRUCTION COSTS STUDY (MACE CONSULT)

ANNEX

ANNEX 1 – APPRAISAL RESULTS

ANNEX 2 – SALES VALUES METHODOLOGY

ANNEX 3 – TYPOLOGIES OVERVIEW

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ANALYSIS

ANNEX 10 – LONDON BOROUGH RESIDENTIAL CIL RATES ANALYSIS

ANNEX 11 – CONSIDERATION OF DEMAND SIDE INITIATIVES

ANNEX 12 – CONTINGENCY AND ABNORMAL COST ANALYSIS

APPENDIX 1– BENCHMARK CONSTRUCTION COSTS STUDY (MACE CONSULT)

LONDON PLAN BENCHMARK STUDY



Greater London Authority

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1. Introduction

1.1 Background and Purpose of the Study

The Greater London Authority (GLA) commissioned Mace Consult Limited (Mace) to undertake this study to provide an updated set of construction cost benchmarks to support the viability testing and analysis of the emerging policies of the new London Plan. The benchmarks are intended to provide a consistent, evidence-based reference for use in the London Plan's viability study which covers Greater London.

This report presents benchmark build costs for a range of residential and non-residential typologies, stratified by London Value Bands, building height and use, reflecting prevailing market conditions. The study has been undertaken in accordance with the GLA's Invitation to Tender and draws primarily on real, live tender returns, completed project cost data, and market intelligence supplemented where necessary by recognised industry data such as BCIS.

1.2 Disclaimer

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Mace confirm that:

- We have used reasonable skill and care in preparing this report in accordance with the relevant RICS professional standards. We have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.
- No conflicts of interest have been identified in relation to the preparation of this report.
- The fees payable to Mace are not contingent upon the findings or outcomes of this report.

2. Approach to Benchmark

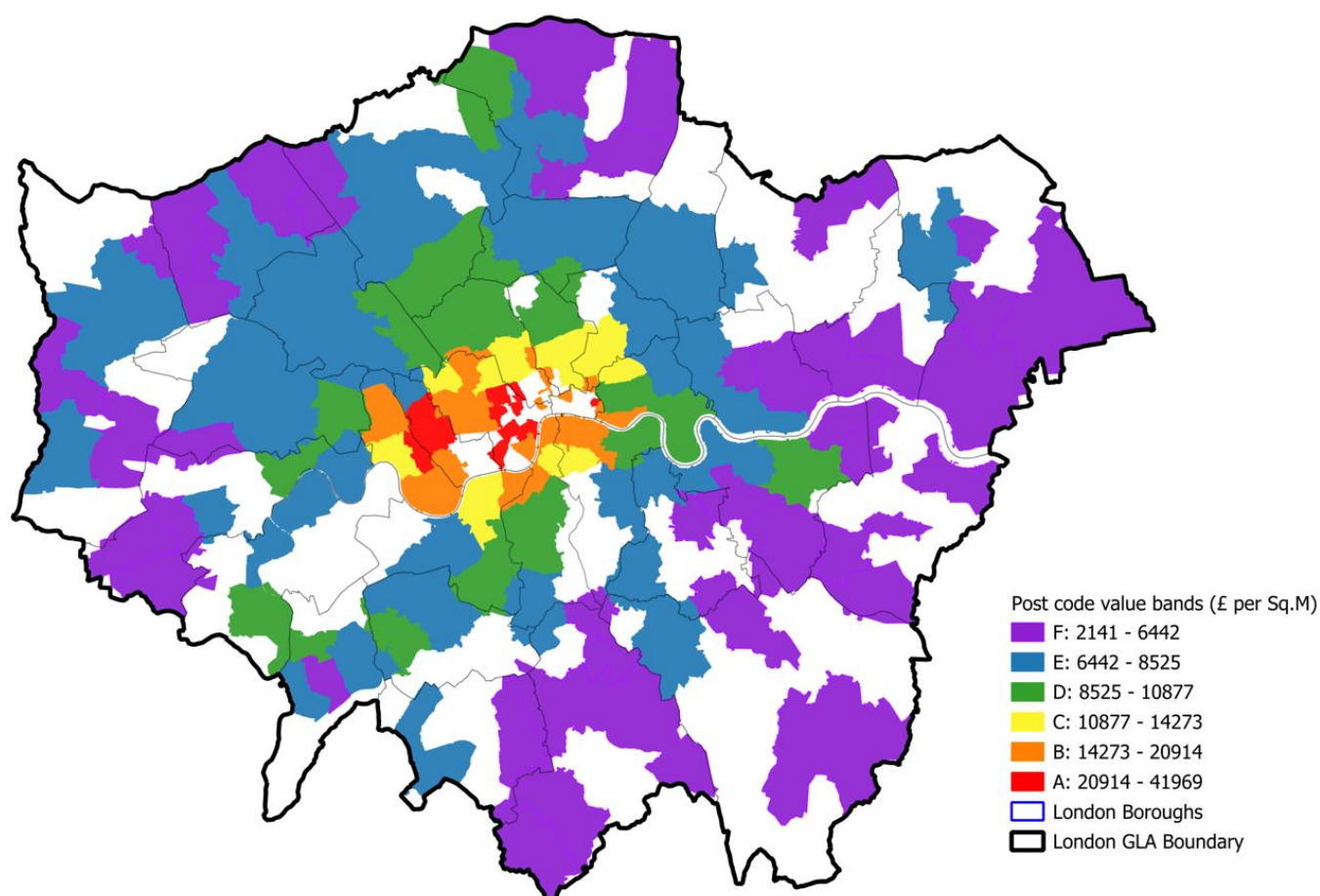
2.1 Overview

Benchmark rates have been structured with reference to the below core classifiers:

- London Value Bands (A–F) as per Figure 2.1
- Building typologies
- Storey-height, recognising the material impact of scale, height and use on construction cost

2.1.1 London Value Bands

Figure 2.1: GLA Value Bands by Postcode District



The value geography underpinning the benchmarks is derived from a GLA-approved postcode district Value Band map, grouping locations across Greater London into six Value Bands (A–F) based on prevailing residential sales values. This approach ensures that construction cost benchmarks are sensitive to location-driven market conditions, including labour availability, logistics, supply chain pricing and specification norms, while remaining consistent and auditable.

The Value Bands are applied uniformly across all building typologies, allowing cost differentials attributable to location and building form to be considered independently and in combination during

viability testing.

2.1.2 Building Typologies

The study assesses a range of residential typologies to reflect the breadth of housing delivery across London. This includes Build-for-Sale (BFS) housing from low-rise houses to high-rise apartment buildings, alongside purpose-designed flatted schemes for Build-to-Rent (BTR). Specialist residential typologies such as Purpose-Built Student Accommodation (PBSA) and Purpose-Built Shared Living (PBSL) are also included, focused on mid to high-rise formats and reflecting their distinct design, specification, and operational requirements.

Non-residential typologies are also considered. These include new-build, lab-enabled, and refurbished office buildings across a range of heights, as well as hotels and a variety of commercial, industrial, and infrastructure uses. Retail, supermarkets, light industrial, B2/B8 logistics, data centres, and key social infrastructure, such as schools, healthcare, and community centres are included to ensure the cost benchmarks reflect the full range of development scenarios relevant to London Plan viability assessments.

2.2 Benchmark Data

Benchmarks were derived from a pooled dataset of recently delivered projects and market intelligence located within Greater London and including a mix of use typologies. Where possible, rates were selected from schemes that matched the relevant London Value Band, a comparable storey height range to the subject typology. Where exact alignment was not achievable due to data limitations, a controlled extrapolation methodology was applied using adjacent height bands or neighboring Value Bands.

In circumstances where recent, suitable project or tender cost data is not available for a specific building typology, storey-height category or Value Band, BCIS published construction cost data has been used as a supplementary source. The use of BCIS data is therefore intended to address gaps in the live project dataset, rather than replace real market evidence, with project-specific tender and out-turn cost data remaining the primary and preferred source within the benchmark data hierarchy.

2.3 Normalisation

A key principle of the benchmarking exercise is the enforcement of a logical market cost hierarchy. It is assumed, all else being equal, that:

- higher Value Bands should not produce lower construction benchmark rates than lower Value Bands
- higher-specification or operationally intensive typologies should not benchmark below simpler typologies (e.g. PBSA and PBSL over BFS)
- construction benchmark rates should increase, or at a minimum not decrease, as storey height bands increase

Where outlier data points conflicted with this logic, targeted manual adjustments were applied. Such adjustments were not intended to distort the data but to remove anomalies driven by project-specific circumstances, such as design efficiencies, procurement routes, contractor tier, scale of development and any other specific abnormal. This ensures that the resulting benchmarks remain suitable for strategic viability testing rather than forensic cost comparison.

2.4 Location and Value Band Adjustment

Geographic cost variance across London has been addressed through reference to the BCIS Tender Price Location Index, with location factors mapped to the GLA London Value Bands (A–F).

For the purposes of this study, the following assumptions have been applied:

- a benchmark location index of 127 is assumed for Value Band A, reflecting central and prime London locations
- a lower bound of 104 is assumed for Value Bands E and F, reflecting outer London and lower value areas

Intermediate Value Bands (B–D) have been derived on a pro rata basis between these upper and lower bounds to maintain a smooth and logical cost gradient across London.

This approach aligns with observed BCIS borough level location indices and reflects the market reality that contractor pricing responds progressively to geography, incorporating labour costs, availability, competition, and risk appetite, rather than changing abruptly at administrative boundaries.

2.5 Building Height and Scale Adjustment

Consistent with the methodological principles of this study, real, live tender returns and delivered project cost data form the primary and preferred source of benchmark evidence. Where such data is available for a specific building typology and storey-height category, it has been adopted directly, and no additional height-based adjustment has been applied.

Height-related cost adjustments are used only where the benchmark dataset does not contain sufficient project or tender cost data for a particular storey-height band within a given typology. In those circumstances, a baseline project cost from an adjacent or comparable storey category is selected, and a controlled height adjustment is applied to derive a reasonable cost. This approach ensures continuity across the benchmark tables while maintaining a clear hierarchy in which actual market data remains the dominant input.

3. Basis of Benchmark

3.1 Benchmark Assumptions

The assumptions set out in this section define the common baseline against which all construction cost benchmarks have been applied within the study. Their purpose is to ensure that cost comparisons across different typologies, building heights and Value Bands are undertaken on a consistent and transparent basis, suitable for strategic London-wide viability testing rather than project-specific appraisal.

The assumptions are intended to reflect typical new-build development delivered under prevailing London market conditions, recognising that individual schemes may exhibit variations that would require bespoke adjustment if appraised on a site-specific basis.

The following overarching assumptions apply to all benchmark testing unless otherwise stated:

- All cost benchmarks are expressed in £/m² Gross Internal Area (GIA)
- All rates are rebased to a Q2 2026 price level, using the BCIS All-in Tender Price Index, with no allowance for inflation beyond this date
- Schemes are assumed to be new-build construction, procured using competitive procurement routes and standard construction methodologies prevalent in the London market

- Benchmarks reflect market-standard delivery
- Unless explicitly stated otherwise, the construction cost benchmarks presented in this study represent base build construction costs, for typical developments delivered in Greater London
- The base build specification is assumed to be appropriate to the building typology, height band and Value Band, and reflects a typical market standard rather than either minimum-compliance or high-end / bespoke delivery
- Residential benchmark schemes include provision for 10% wheelchair-accessible dwellings (M4(3)), reflecting prevailing London planning policy requirements.

3.2 Benchmark Exclusions

To maintain consistency and avoid distortion of benchmark rates, the following items are excluded from the construction costs used in the testing:

Abnormal and Site-Specific Costs

- Demolition, facilitating works and temporary enabling works
- Asbestos removal
- Ground contamination, exceptional ground conditions and obstructions
- Service diversions and reinforcement works
- Basement construction
- Works outside the site boundary

External and Infrastructure Costs

- External works, landscaping and public realm works
- CIL, Section 106, Section 38 and Section 278 costs, works or financial contributions
- Commuted sums and off-site mitigation works
- Utilities connection charges

Professional, Client and Commercial Costs

- Professional fees, design fees and development management fees
- Planning application fees and statutory consent costs
- Legal costs, party wall awards, rights of light and oversailing licences
- Under or over-sailing licences and wayleaves
- Capital allowances, grants or funding incentives
- Marketing, sales and letting costs
- Financing costs, interest and developer profit
- Employer insurances and latent defects insurance
- VAT

Fit-Out and Specialist Elements

- Loose furniture, artwork and client-direct items
- IT, AV and specialist systems

Typology-Specific Elements

- Residential: market-standard internal finishes appropriate to Value Band and tenure
- Office: shell-and-core and CAT A specification only
- Commercial units within mixed-use schemes: shell-and-core only
- Retail: new build shopping mall with retail units to shell-and-core
- Schools and education: excluding temporary works, temporary accommodation and exceptional phasing requirements

4. Benchmark Results

The benchmarking costs included in Appendix A and this section reflect base build construction only, aligned to the typology definitions and scope assumptions set out under Section 3 in this report.

It is recognised that individual schemes will experience cost variation driven by commercial and delivery-specific factors. These include, but are not limited to:

- Building design efficiency
- Contractor tier and market capacity at the time of procurement
- Procurement route and risk allocation
- Scale of development, including economies of scale or inefficiencies associated with smaller or phased schemes

These variables are inherently blended into the benchmark evidence, rather than isolated or re-priced independently, and the rates presented are therefore not intended to represent a fixed or prescriptive cost applicable to all schemes.

To reflect this inherent commercial variability, Mace recommend that the build costs set out in this section are used within a **±5% range** for viability testing purposes. This range provides appropriate flexibility to reflect scheme-specific delivery conditions. The resultant cost range should be used to test sensitivity within the GLA viability model, rather than adjusting the underlying benchmark rates themselves.

4.1 Build Costs – Residential

Tables 4.1 to 4.4 set out residential build cost benchmarks for viability testing across BFS, BTR, PBSA and PBSL, stratified by London Value Band (A–F) and storey-height category. Across all typologies, costs increase with building height, reflecting higher structural demand, more intensive fire and servicing strategies, and increased construction complexity. A consistent geographic gradient is also evident, with higher costs in Value Bands A and B reducing progressively towards Value Bands E and F.

Table 4.1: Build for Sale (BFS) - £/m2

Value Bands	A	B	C	D	E	F
2-3 Storey Houses	3,420	3,260	3,110	2,950	2,800	2,800
4-6 Storey Flats	3,910	3,730	3,560	3,380	3,200	3,200
7-15 Storey Flats	4,060	3,880	3,690	3,510	3,330	3,330
16-30 Storey Flats	4,660	4,450	4,240	4,030	3,820	3,820
30+ Storey Flats	5,290	5,050	4,810	4,570	4,340	4,340

Table 4.2: Build to Rent (BTR) - £/m2

Value Bands	A	B	C	D	E	F
4-6 Storey Flats	3,950	3,770	3,600	3,420	3,240	3,240
7-15 Storey Flats	4,120	3,930	3,740	3,560	3,370	3,370
16-30 Storey Flats	4,660	4,450	4,240	4,030	3,820	3,820
30+ Storey Flats	5,290	5,050	4,810	4,570	4,340	4,340

Table 4.3: Purpose-Built Student Accommodation (PBSA) - £/m2

Value Bands	A	B	C	D	E	F
7-15 Storey Flats	5,010	4,460	3,920	3,720	3,530	3,530
16-30 Storey Flats	5,260	5,020	4,780	4,540	4,310	4,310
30+ Storey Flats	5,650	5,390	5,430	4,880	4,620	4,620

Table 4.4: Purpose-Built Shared Living (PBSL) - £/m2

Value Bands	A	B	C	D	E	F
7-15 Storey Flats	5,010	4,460	3,920	3,720	3,530	3,530
16-30 Storey Flats	5,510	5,020	4,780	4,540	4,310	4,310
30+ Storey Flats	5,920	5,390	5,430	4,880	4,620	4,620

BFS represents the baseline residential typology, with lower-rise houses and flats achieving the lowest build costs due to simpler construction and standardised specification. BTR costs are broadly similar to, or marginally higher than, BFS at equivalent heights, reflecting enhanced durability and amenity provision.

PBSA and PBSL schemes sit at a materially higher cost level than BFS and BTR. This is generally driven by greater intensity of building services, increased fire compartmentation and acoustic requirements, dense unit layouts, and extensive communal and shared facilities.

4.1.1 Small Scale Development Adjustment

The benchmark build costs presented in this study are primarily derived from tender returns associated with Tier 1 and Tier 2 contractors. However, it is recognised that a proportion of residential delivery in London is typically procured through Tier 3 contractors, whose pricing characteristics differ from the benchmark baseline.

In our experience, Tier 3 contractors are most relevant in schemes with the following circumstances:

- Project value typically below circa £30m
- Low-rise housing and mid-rise apartment buildings up to 6 storeys
- Schemes characterised by standardised design and construction, low complexity and reduced site constraints, more common with outer London locations.

Tier 3 contractors typically operate with lower corporate overheads, leaner site management and preliminaries and reduced risk pricing when compared with Tier 1 and Tier 2 contractors.

Based on our analysis of market data, a cost adjustment in the range of -5% and -10% could be applied to BFS and BTR typologies up to 6-storeys relative to baseline benchmark rates.

No adjustment is generally recommended for higher-rise or more complex typologies, where Tier 2 contractor pricing remains the appropriate benchmark basis.

4.2 Build Costs – Non-Residential

Chart 4.1 illustrates benchmark build costs across a range of non-residential typologies, segmented by London Value Band (A–F). A consistent geographic gradient is evident across all uses, with higher costs in Value Bands A and B reducing progressively towards Value Bands E and F, reflecting location-driven market pricing.

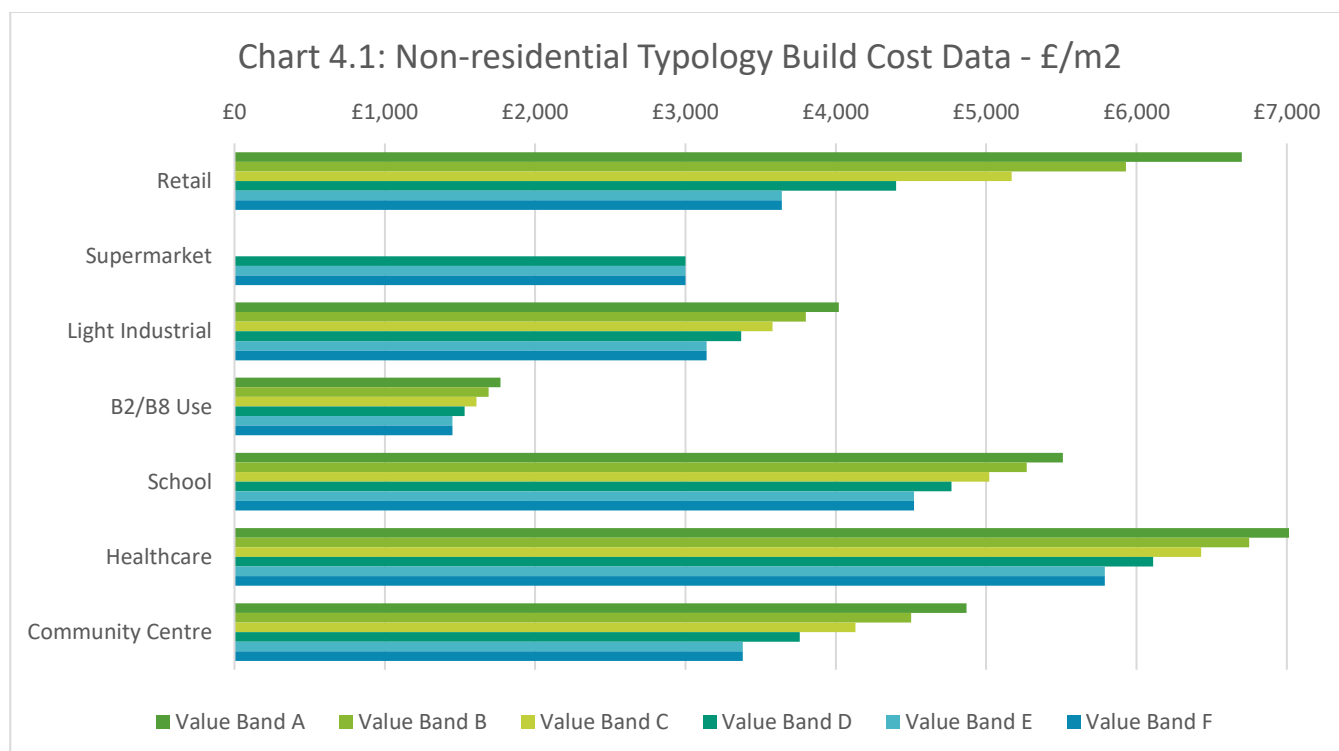
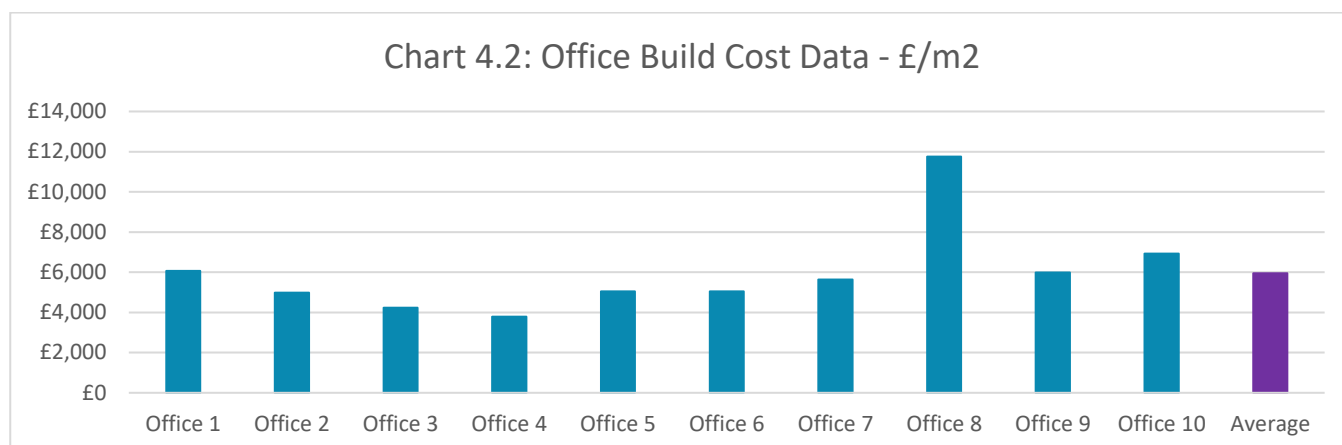
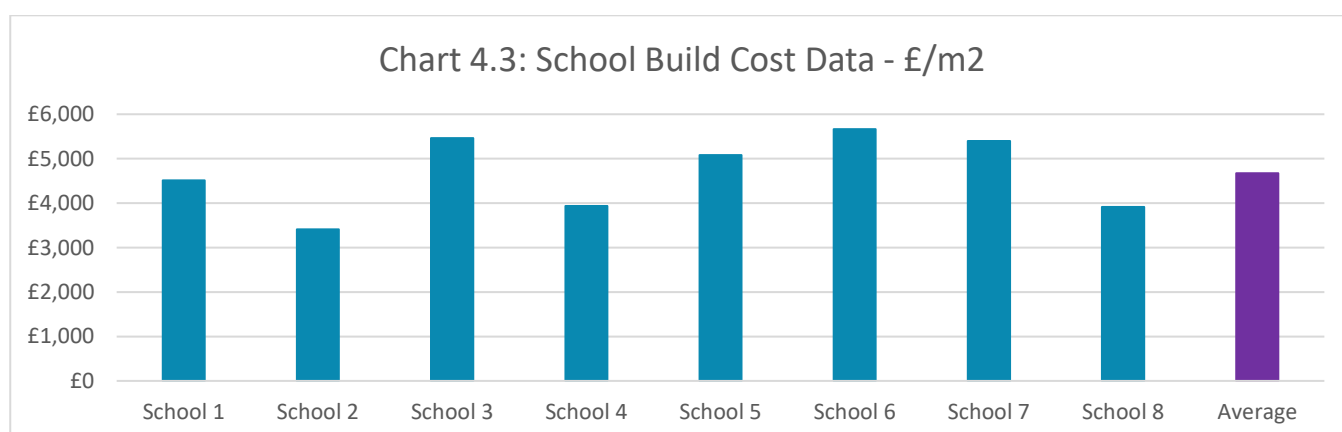


Chart 4.2 presents the range of new build office costs derived from ten office schemes within the benchmark dataset, illustrating the degree of variation across office developments. The spread reflects differences in office grade, scale of development, and other commercial factors, with a small number of higher-specification or more complex schemes driving costs above the dataset average.



For office refurbishment projects, costs can vary significantly depending on scope and specification, the extent of works to the existing structure, the need for new openings, and any associated strengthening requirements. As a result, construction costs per m² can differ markedly. We have experience of office refurbishments ranging from approximately £2,000 to circa £10,000 per m², which makes benchmarking for these types of projects particularly challenging. For the purposes of this exercise, an indicative allowance of £3,300 per m² has been adopted for office refurbishment projects with a limited scope of works. This assumes reuse of the existing structural frame, no structural strengthening, and minimal façade interventions to non-listed buildings.

Chart 4.3 shows benchmark school build costs across eight Mace education projects included in the dataset. The variation observed reflects differences in school size, site constraints and specification standards, all of which materially influence construction cost.

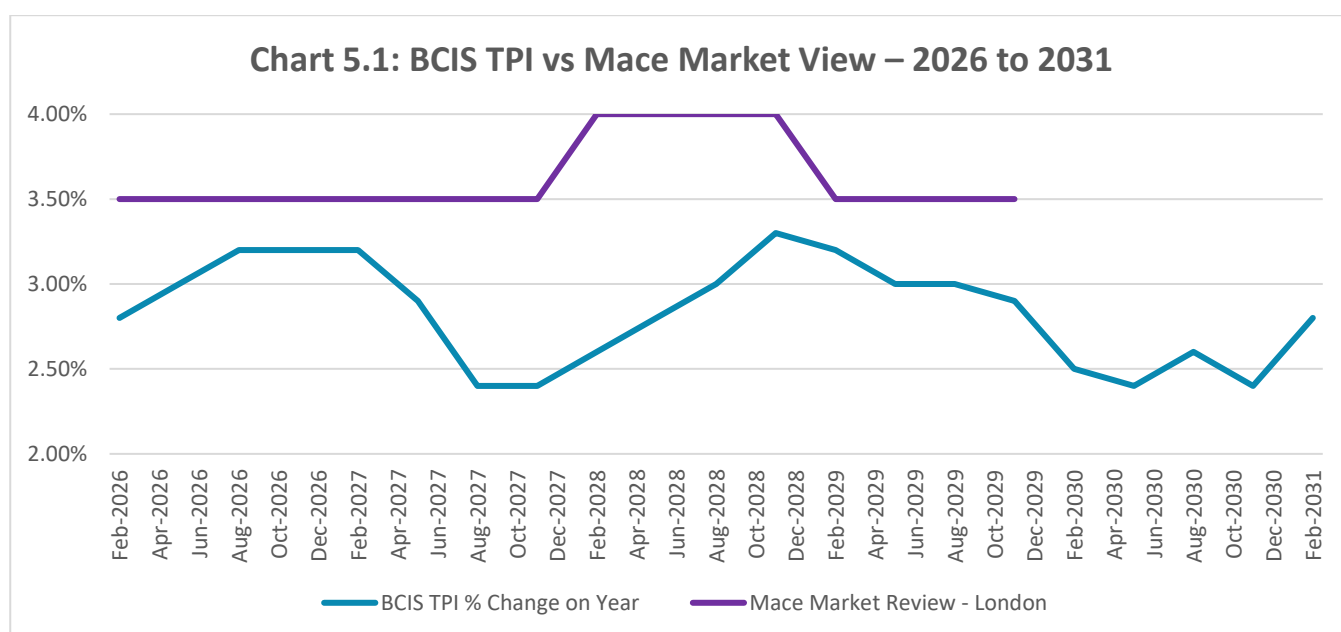


Full benchmark build costs, including value-band-specific rates, are set out in Appendix A, and should be read in conjunction with the typology assumptions defined in Section 3 of this report.

5. Build Cost Inflation

The BCIS All-in Tender Price Index (TPI) provides a widely recognised measure of movement in tender prices across the UK construction market. The index captures the combined effects of labour, materials, preliminaries, overheads and profit, and is therefore considered an appropriate high-level proxy for build cost inflation in strategic studies.

As illustrated in Chart 5.1, BCIS data indicates that tender price inflation has moderated from the exceptional volatility experienced during 2021–2023, returning to mid-single-digit annual growth rates. The five-year BCIS projection shows inflation stabilising in the range of approximately 2.4%–3.3% per annum. This information was retrieved from BCIS Online on 28th April 2026.



To complement the BCIS data, this study has also drawn on Mace’s UK Market View Q1 2026 (Appendix C), which reflects live tender data, contractor feedback, and sector-specific intelligence. Mace’s current tender price inflation forecasts indicate the following average annual assumptions:

- London Construction Market: Broadly aligned with national real estate, at around 3.5% in the near term, rising to 4.0% in 2028, before easing.

These forecasts reflect a balance of countervailing drivers, including:

- upward pressure from energy-intensive materials (cement, steel, glass) linked to geopolitical instability and elevated energy prices
- ongoing skills shortages in selected trades, particularly on complex and high-rise projects
- moderating tender competition in sectors experiencing weaker development viability, most notably private housing

6. GLA Viability Model Testing

Further to the construction cost data by typology, the GLA has requested additional cost advice across a range of topics, including basement construction, demolition, external works, cycle storage, abnormals, and other key viability inputs such as professional fees and contingency. These matters are summarised in the following sections.

6.1 Basement Construction

Table 6.1: Basement Construction Cost Indication for Mid-Rise and High-Rise Buildings

Basement Construction	Standalone	Mid-Rise	High-Rise
Basement Construction Cost	£3,000 to £4,500/m ²	£4,800 to £6,200/m ²	£6,200 to £8,500/m ²
Factor	Standalone	Mid-Rise	High-Rise
Basement Depth	1 level	1–2 levels	2–4+ levels
Typical Construction Method	Bottom-up	Bottom-up / hybrid	Predominantly top-down
Temporary Works Complexity	Low	Medium	High
Programme Sensitivity	Low–Moderate	High	Critical

Table 6.1 provides a high-level indication of basement construction costs for standalone, mid-rise and high-rise buildings and highlights the key factors that materially influence cost. Standalone basements (e.g. single-storey car parks with no superstructure above) typically fall within a lower cost range, reflecting their shallower depth, reduced structural demand, and simpler bottom-up construction approach. For mid-rise and high-rise typologies, basement costs vary significantly depending on basement depth, construction methodology, habitability requirements, structural demand, reinforcement density, temporary works complexity and programme sensitivity. In high-rise schemes, basements often act as a primary structural element and form an integral part of the load path and construction sequence, resulting in materially higher cost and risk compared with basement construction associated with mid-rise development.

For Central London high-rise buildings (16+ storeys), typical basement construction costs are in the range of £6,200 to £8,500/m², however on constrained Zone 1 tower sites, costs can increase further. Construction methodology has a particularly significant impact on basement costs; where a mid-rise scheme adopts a top-down construction methodology, the associated cost profile is likely to align more closely with high-rise basement construction, and high-rise cost ranges should therefore be adopted for viability testing purposes in such cases.

The basement construction cost benchmarks presented above have been developed using a combination of BCIS baseline data, recent tender returns, live Central and Outer London project cost plans, and professional cost-consultancy judgement. Adjustments have been applied to reflect basement depth, construction methodology, building height, site constraints and prevailing market risk, with all costs rebased to Q2 2026 price levels.

6.2 Demolition Costs Allowance

Analysis of the benchmarking dataset indicates that demolition costs, when expressed relative to proposed development, equate to an average allowance of circa £37/m² of proposed GIA across the sampled projects.

However, for the purposes of viability testing, it is considered more appropriate to express demolition costs relative to the existing building being removed, as this provides a more direct and consistent measure of demolition scope.

Based on project benchmarking, typical demolition costs generally fall within the range of £150–£250/m² of existing GIA for standard low to mid-rise residential and commercial buildings, which is considered an appropriate basis for strategic viability testing.

Actual demolition costs can vary materially outside this range depending on site-specific factors. Costs can exceed £500/m² in cases involving significant constraints or complexity. These cost drivers include:

- structural form, height and construction type
- presence of basements and substructures
- asbestos and hazardous material removal
- site constraints, access and logistics
- party wall conditions and temporary works requirements

It should be noted that this allowance is indicative only, derived from benchmarking exercises across a range of projects. Accordingly, professional judgement should be exercised where site-specific information is available, to avoid over or under-provision within viability appraisals.

6.3 External Works

Mace have been provided with a set of GLA external works allowances expressed as a percentage of total building construction cost. Analysis of the data shows that external works allowances are proportionately higher for low-density, low-rise developments, which is consistent with the greater extent of landscaping and external areas relative to building area. Conversely, high-rise developments in higher-density locations typically attract a lower proportion of external works.

Building on this analysis, Mace have reviewed external works allowances across the benchmarked projects, differentiating between low-density and high-density sites to support the GLA's findings. The outcomes of this review are summarised in the following two charts.

**Chart 6.1: External Work Costs on Mace Benchmarking Projects
(Low Density Sites)**

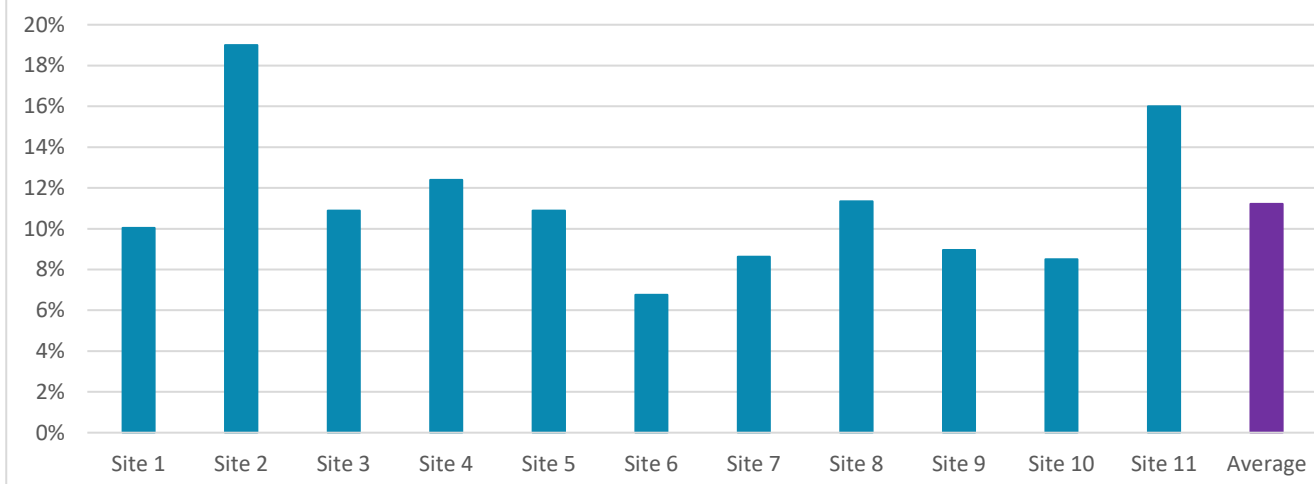


Chart 6.1 illustrates the range of external works costs observed across eleven low-density benchmarking projects included within Mace dataset, expressed as a percentage of total build cost. The chart demonstrates that external works allowances for low-rise schemes generally fall within a relatively consistent band. Across the sampled projects, individual external works allowances range from approximately 7% to 19%, with the benchmark average of circa 11% highlighted for reference.

**Chart 6.2: External Work Costs on Mace Benchmarking Projects
(High Density Sites)**

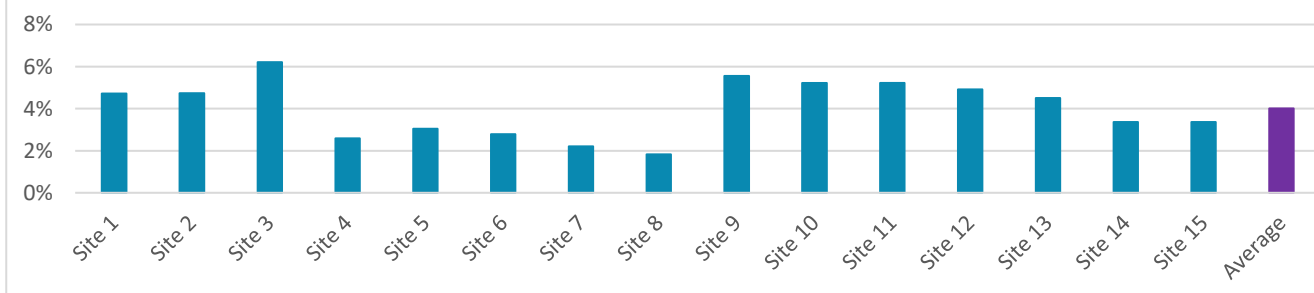


Chart 6.2 presents the external works costs observed across fifteen high-density benchmarking projects in the study. Compared with low-density schemes, the chart demonstrates a generally lower and tighter range of external works allowances, reflecting the effect of higher floorspace density in diluting site infrastructure and public realm costs on a GIA basis. Across the sampled mid-rise and high-rise projects, external works allowances typically range between approximately 3% and 6%, with a benchmark average of circa 4%.

These results are broadly consistent with the assumptions adopted by the GLA for viability testing purposes, confirming that higher-density schemes typically benefit from a more efficient distribution of external works costs across a larger quantum of built floorspace, whilst lower-density schemes are more heavily influenced by roads, utilities, drainage, landscape and boundary treatments on a per-unit basis.

It should be noted that the above percentages represent indicative averages derived from a benchmarking sample, with actual external works costs remaining highly sensitive to site-specific factors

such as site size, existing infrastructure, topography, access strategy, drainage requirements, planning conditions, and public realm obligations. Accordingly, while the benchmarked percentages provide a reasonable basis for strategic-level GLA viability testing, they should not be regarded as prescriptive, and professional judgement should continue to be applied where scheme-specific information is available.

6.4 Cycle Storage

Based on analysis of recent Mace benchmarking projects, the cost of providing cycle storage varies significantly depending on whether facilities are located within the building envelope or provided externally, as well as the level of enclosure and security.

For internal cycle storage, assuming ground-floor provision (not basement), communal access, fitted-out finishes and two-tier racking systems, an average allowance of circa £2,800 per cycle space has been observed. This reflects the inclusion of fit-out works, access control, lighting, ventilation, and the integration of cycle storage within the building footprint.

Where cycle storage is provided externally, costs are materially lower and primarily driven by the type of shelter and security provision. For covered and lockable external cycle storage units, including hard landscaping and associated works, benchmarking data indicates a typical cost range of £1,200 to £1,500 per cycle space. In contrast, where external cycle parking is covered but not lockable, provision is often via standard Sheffield stands, with an installed cost of approximately £200 per stand, accommodating two bicycles, equating to circa £100 per cycle space.

All costs represent market benchmark rates, inclusive of main contractor preliminaries, overheads, and profit, and are derived from recent project data. Actual costs will remain scheme-specific and influenced by design, location, specification, security requirements, accessibility standards and integration with wider public realm or landscaping works.

6.5 Abnormal Costs Allowance

As part of the viability modelling assumptions, the GLA has applied a high-level abnormal cost allowance in the region of 1.0–1.5% of build costs, intended to provide a broad provision for site-specific abnormal items that may arise across different development typologies.

The construction cost benchmarks provided by Mace are derived from real, live tender returns and completed project data from sources such as BCIS, reflecting actual market delivery of comparable schemes. As such, these benchmark build costs inherently include the site-specific abnormal costs encountered on the underlying projects, as evidenced through tender pricing and out-turn costs.

When benchmark build costs are subsequently applied within GLA viability testing for other sites, there remains the potential for additional site-specific abnormal costs to arise that are not directly comparable with those captured within the benchmark dataset. These may relate to unique site constraints or other factors specific to an individual development site.

In this context, Mace acknowledges the rationale behind the GLA's approach to adopting a high-level abnormal cost allowance within viability models as a mechanism to account for potential residual or untested site-specific abnormal items that may give rise to additional cost implications when applying benchmark data beyond the original source projects.

6.6 Contingency

In GLA's viability modelling assumptions, a 5% risk contingency allowance is applied to account for development uncertainty. Review of the benchmarking data undertaken as part of this study confirms that the construction costs captured represent market tendered prices, where main contractors have already made allowance for their own design, construction, and delivery risks within the contract sum. However, the benchmark data excludes client-side risks, such as changes in brief, post-contract design development, scope changes, interface risks, and other project-specific uncertainties that typically remain with the employer.

On this basis, a separate client risk contingency remains appropriate for viability testing purposes, in addition to the embedded contractor risk within the benchmarked build costs. A 5% allowance is considered a reasonable provision at viability testing stage, acknowledging the limited project-specific detail available. It should be noted, however, that the appropriate level of contingency is highly scheme-dependent and will vary according to factors such as building height, complexity, procurement strategy, and programme duration.

6.7 Professional Fees

As part of the GLA's viability modelling assumptions, a professional design fee allowance of 10% of build costs has been adopted.

Based on review of Mace's project database, a 10% professional fee allowance is considered appropriate and representative of prevailing market practice for comparable schemes, considering typical consultant team scope, procurement routes and project scale. This allowance has been benchmark-tested against delivered projects and aligns with fee levels commonly observed across the London market for comparable development typologies.

7. Appendices

7.1 Appendix A: Cost Benchmarks by Value Bands and Typologies

Value Band A

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£3,420	£3,910	£4,060	£4,660	£5,290

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,950	£4,120	£4,660	£5,290

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,010	£5,260	£5,650

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,010	£5,510	£5,920

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,430	£5,970	£6,390

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,040	£5,640	£6,060

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£6,930	£7,620	£8,190

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,370	£3,700	£3,980

Retail	1-2 Storey
Cost Rate psm	£6,700

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£4,020	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,770	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£7,190	£7,480

School	2-3 Storey
Cost Rate psm	£5,510

Healthcare	2-3 Storey
Cost Rate psm	£7,070

Community Centre	2-3 Storey
Cost Rate psm	£4,870

Value Band B

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£3,260	£3,730	£3,880	£4,450	£5,050

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,770	£3,930	£4,450	£5,050

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,460	£5,020	£5,390

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,460	£5,020	£5,390

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,040	£5,540	£5,930

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,730	£5,270	£5,660

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£6,620	£7,280	£7,820

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,210	£3,460	£3,810

Retail	1-2 Storey
Cost Rate psm	£5,930

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£3,800	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,690	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£6,870	£7,140

School	2-3 Storey
Cost Rate psm	£5,260

Healthcare	2-3 Storey
Cost Rate psm	£6,750

Community Centre	2-3 Storey
Cost Rate psm	£4,500

Value Band C

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£3,110	£3,560	£3,690	£4,240	£4,810

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,600	£3,740	£4,240	£4,810

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,920	£4,780	£5,430

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,920	£4,780	£5,430

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,640	£5,110	£5,470

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,580	£5,130	£5,510

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£6,300	£6,930	£7,450

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,060	£3,370	£3,620

Retail	1-2 Storey
Cost Rate psm	£5,170

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£3,580	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,610	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£6,540	£6,800

School	2-3 Storey
Cost Rate psm	£5,010

Healthcare	2-3 Storey
Cost Rate psm	£6,430

Community Centre	2-3 Storey
Cost Rate psm	£4,120

Value Band D

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£2,950	£3,380	£3,510	£4,030	£4,570

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,420	£3,560	£4,030	£4,570

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,720	£4,540	£4,880

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,720	£4,540	£4,880

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,250	£4,680	£5,010

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£4,360	£4,870	£5,230

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,990	£6,590	£7,080

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£2,910	£3,200	£3,440

Retail	1-2 Storey
Cost Rate psm	£4,400

Supermarket	1-2 Storey
Cost Rate psm	£3,000

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£3,360	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,530	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£6,220	

School	2-3 Storey
Cost Rate psm	£4,760

Healthcare	2-3 Storey
Cost Rate psm	£6,110

Community Centre	2-3 Storey
Cost Rate psm	£3,750

Value Band E

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£2,800	£3,200	£3,330	£3,820	£4,340

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,240	£3,370	£3,820	£4,340

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,530	£4,310	£4,620

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,530	£4,310	£4,620

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,860	£4,250	£4,550

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,800	£4,180	£4,490

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,680	£6,240	£6,700

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£2,760	£3,030	£3,260

Retail	1-2 Storey
Cost Rate psm	£3,640

Supermarket	1-2 Storey
Cost Rate psm	£3,000

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£3,140	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,450	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£5,310	

School	2-3 Storey
Cost Rate psm	£4,510

Healthcare	2-3 Storey
Cost Rate psm	£5,790

Community Centre	2-3 Storey
Cost Rate psm	£3,380

Value Band F

Residential [BFS]	2-3 Storey Houses	4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm	£2,800	£3,200	£3,330	£3,820	£4,340

Residential [BTR]		4-6 Storey Flats	7-15 Storey Flats	16-30 Storey Flats	30+ Storey Flats
Cost Rate psm		£3,240	£3,370	£3,820	£4,340

PBSA			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,530	£4,310	£4,620

PBSL			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,530	£4,310	£4,620

Hotel			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,860	£4,250	£4,550

Office			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£3,800	£4,180	£4,490

Office - Lab enabled			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£5,680	£6,240	£6,700

Office - Refurbishment			7-15 Storey	16-30 Storey	30+ Storey
Cost Rate psm			£2,760	£3,030	£3,260

Retail	1-2 Storey
Cost Rate psm	£3,640

Supermarket	1-2 Storey
Cost Rate psm	£3,000

Light Industrial	1-6 Storey	7-15 Storey
Cost Rate psm	£3,140	

B2/B8 Use	1-6 Storey	7-15 Storey
Cost Rate psm	£1,450	

Data Centres	1-6 Storey	7-15 Storey
Cost Rate psm	£4,400	

School	2-3 Storey
Cost Rate psm	£4,510

Healthcare	2-3 Storey
Cost Rate psm	£5,790

Community Centre	2-3 Storey
Cost Rate psm	£3,380

7.2 Appendix B: Building Efficiently Note

While the benchmarks presented in this study reflect typical market-standard residential development across London, there remains scope for improving cost efficiency through considered design development, value engineering and early identification of constraints. The following recommendations highlight common areas where efficiencies have been successfully realised across benchmarking projects, without compromising quality or regulatory compliance.

Design Efficiency and Layout Metrics

Design efficiency is a key driver of residential construction cost and value. Based on experience from recent Mace benchmarking projects, design development briefs are typically established at early stages to target a set of core efficiency metrics that promote buildability, repeatability, and cost certainty.

Key Design Efficiency Metrics:

- Common benchmark targets on residential projects include **net-to-gross** ratios of approximately 75%–80%. Higher net-to-gross ratios increase the proportion of saleable or lettable area relative to total construction cost, reducing the cost per m² of net space without compromising unit size or quality. While optimisation of this metric has limited impact on the cost per m² of gross floor area, it has a significant positive effect on overall scheme viability and value.
- Another key benchmark is an external **wall-to-floor** ratio of around 45%–60%. Controlling this ratio limits the extent of façade relative to internal floor area, which is particularly important given the cost and technical complexity of modern building envelopes, including fire compliance and sustainability requirements. Lower wall-to-floor ratios also deliver sustainability benefits, reducing embodied carbon during construction and improving operational performance over the life of the building.

Other Design Efficiency and Cost Control Requirements

- Floor-to-floor heights to be optimised, with a target of 3.15 m.
- Minimum dwellings per core, with a target of six,
- Maximum building height.
- Basement provision.
- Communal corridors to be minimised and optimised in both length and width.
- Window-to-wall ratio, with a target of 0.2–0.3.
- Dwelling sizes must comply with NDSS, avoiding oversized units.
- Riser spaces are to be minimised

Standardisation and Repetition

- High levels of repetition and standardisation are to be adopted, minimising the number of different types of windows, bathrooms, doors, balconies, utility cupboards and kitchens.
- Apartment layouts to stack vertically.
- Structure and MEP systems to stack vertically as well.
- Avoid offset or inset layouts at top floors and minimise transfer structures.

Balconies and Façade Design

- Balconies should stack vertically, with offset arrangements and half-insets avoided.
- Bolt-on balconies are preferred over inset balconies.

- Minimise vertical and horizontal steps in the façade and structural frame.
- Limit the reveal depth on windows and doors to one brick.
- Target brick supply cost per thousand.

Value Engineering

Experience from recent Mace benchmarking projects, including formal VE workshops undertaken at developed design stage, demonstrates that meaningful savings can be achieved while maintaining design intent and compliance.

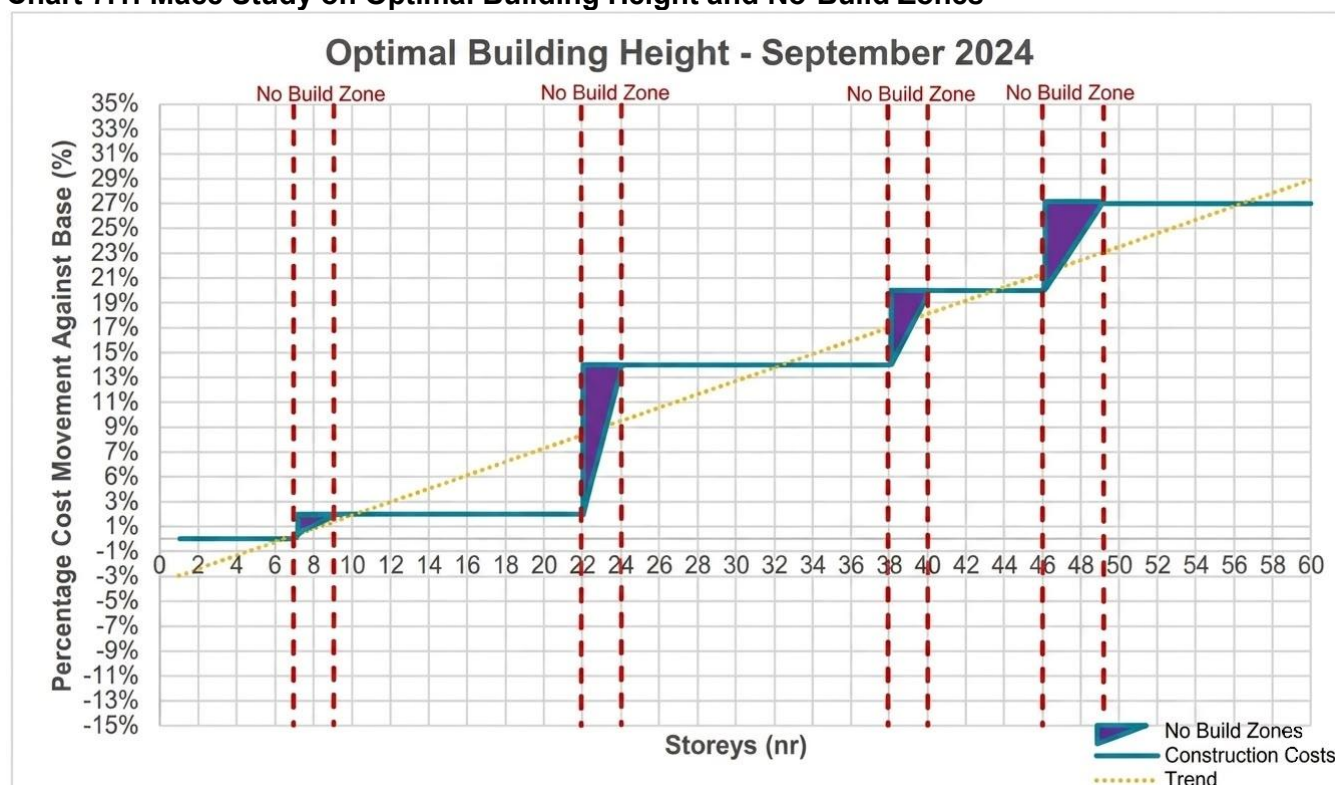
Typical areas where value has been enhanced include:

- Façade rationalisation, such as reducing articulation, simplifying brickwork patterns, standardising window sizes and limiting bespoke elements
- Balcony strategy optimisation, including rationalising balcony sizes to align with planning minimum dimensions, adopting bolt-on systems, and reducing bespoke detailing
- Structural efficiencies, including rationalising grids, vertical stacking, slab thicknesses, reinforcement densities and avoiding transfer structures where possible
- Standardisation of building elements, such as cores, dwelling types, kitchens, bathrooms and service risers to improve repetition and reduce construction risk

No-Build Zones

According to Mace Optimal Building Height analysis (Chart 7.1), it demonstrates that construction costs do not increase smoothly with height but instead rise in distinct step changes at specific storey thresholds. These thresholds define a series of “No-Build Zones”, where additional height triggers materially higher cost and technical requirements without a proportionate increase in deliverable floor area or efficiency.

Chart 7.1: Mace Study on Optimal Building Height and No-Build Zones



These No-Build Zones are typically driven by changes in regulatory, structural, fire and servicing requirements, which introduce disproportionate cost relative to marginal gains in usable space. As illustrated in the chart, these step changes occur at key height bands and represent points of reduced cost efficiency that should be carefully considered at an early design stage.

7–9 storeys

At 7-9 stories, further fire prevention must be incorporated into the scheme. This comprises of the introduction of secondary escape stairs, a sprinkler system and potential fire boarding to cladding and structural elements. The overall cost may be in the region of 2-3%.

22–24 storeys

At 22-24 stories, there is a 3-5% cost increase to the structural elements reflecting the necessary uplift in scope and specification to meet increased loadings and forces. This is also the point where intermediate plant floors are being considered or used to service the building and where centralised comfort cooling is generally installed. It is also at this point where construction logistics "working at height" start to increase preliminaries costs. The overall cost movement may be in the region of 14-15%.

38–40 storeys

At 38-40 stories, there is a requirement for further shoring of structures and the necessity for more specialized structural arrangements such as outrigger walls and core ties. Cladding at this level also requires enhancement to accommodate greater wind loads. The overall cost movement may be circa 19-21%.

46–49 storeys

At 46-49 stories, a 3No lift solution is no longer viable and there is further requirement for intermediate plant floors to service the building. The overall cost movement is likely to be in the region of 26-28%

7.3 Appendix C: Mace 1Q26 UK Market View



UK MARKET VIEW

Economy faces another bout of uncertainty, but Middle Eastern conflict to push up tender prices

Q1 2026

Introduction

In periods like this, the challenge is less about identifying risk and more about maintaining clarity as conditions evolve.

The conflict in the Middle East has created an exceptionally fluid economic environment, with implications for inflation, energy prices and construction costs shifting almost daily. With so much still unknown, from the duration of any disruption in the Strait of Hormuz to how markets will respond, potential outcomes remain unusually wide.

Public sector and infrastructure programmes appear better insulated in the near term, while over time the disruption is likely to accelerate investment in renewables, electrification and wider energy security. Moments of uncertainty tend to reshape priorities faster than markets initially anticipate.

Last year's strong pipeline across infrastructure, energy and public non-housing provides important underlying resilience. However, the months ahead will place a premium on active market monitoring, disciplined commercial judgement, and the ability to adjust quickly as new information emerges. Our focus remains on reassessing the data as conditions evolve, ensuring decisions remain grounded in the most current intelligence.

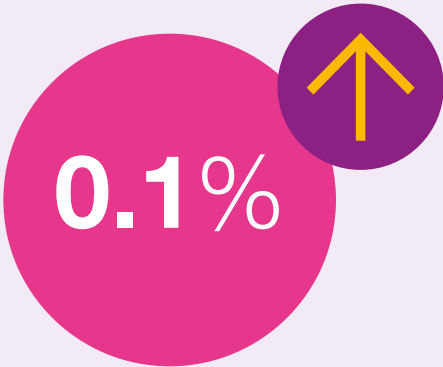
For many, this is less about reacting to volatility and more about staying ahead of it.



Ceri Evans

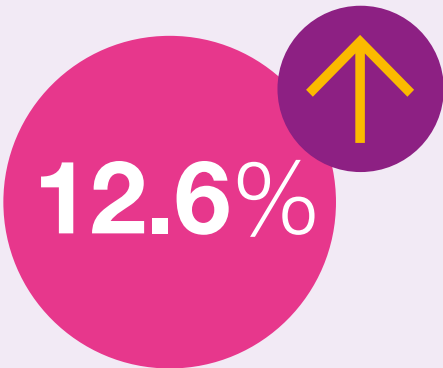
Global Director – Cost and Commercial Management,
Mace Consult

GDP barely grew in Q4, up...



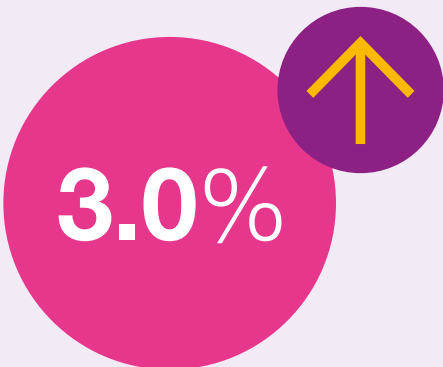
however, last year’s expansion of 1.3% was the best annual growth rate since 2022.

New orders had a small setback in Q4, but overall, they were...



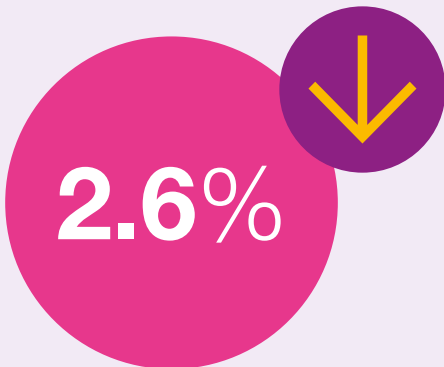
higher in 2025 than in 2024.

CPI inflation stood at...



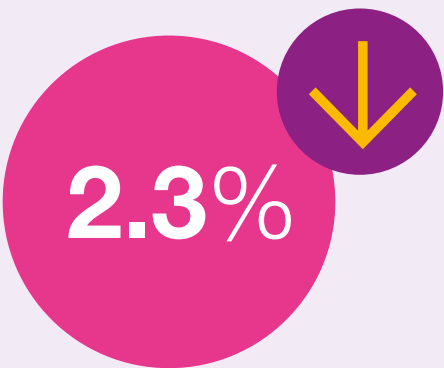
in January, and while it is likely to ease over the next couple of months, rising energy prices mean pressures will mount later in the year.

Construction output had a very disappointing end to 2025, declining...



and recording its worst quarter since the pandemic.

Regular construction pay growth has slowed considerably, and at...



is below inflation.

Tender prices

	2025	2026	2027	2028	2029
National Real Estate	3.0%	3.5%	3.5%	4.0%	3.5%
National Infrastructure	3.5%	4.5%	4.5%	4.5%	4.0%
London	3.0%	3.5%	3.5%	4.0%	3.5%

This table gives our current tender price inflation forecast. The figures should be treated as averages and there will be variations due to procurement methods, project type and local factors.

Setting the scene

The conflict in the Middle East has led to a surge in oil and gas prices. Oil prices have risen to close to US\$120 a barrel, up from around US\$60/b at the start of the year. Even if the war ends very soon, and a ceasefire can hold, it will take time for energy supplies to return to normal. Gas prices have also jumped, and both these factors will push up construction material prices. Most affected will be energy-intensive products such as glass, cement and steel, as well as plastic products which use oil as an input. Transport costs will also rise and as a result, we have decided to increase our tender price forecasts for 2026 by 0.5%. In terms of the impact on different construction sectors, we anticipate further pressure on the already troubled housing sector. Meanwhile, public sector and infrastructure schemes, at least in the short-term, are likely to be more protected, and in the longer term, another energy crisis should support a greater push towards renewables and electrification.

The uncertainty around how long the Strait of Hormuz will be shut for, and how high energy prices go, makes forecasting the impact on the UK economy very challenging, and leaves policymakers in a difficult position. An initial agreement on a ceasefire lasted hours, and it is unclear what, how or when normality will resume. The Monetary Policy Committee, who before the war were likely to have cut interest rates in March or April, are currently waiting for more clarity before determining their next move. Worried about the trade-off between higher inflation and lower growth, the longer energy prices stay elevated, the more likely they will need to raise rates. Fiscal challenges facing the government mean they will be reluctant to intervene and provide support to households. If higher energy prices force intervention, they will likely need to cut spending from elsewhere, which could potentially mean reducing their capital spending plans. The longer the conflict lasts, the more channels beyond inflation through which it may spill over to affect construction.

While recognising such risks, this also highlights why, for the time being, we are leaving our forecasts for 2027 and beyond unchanged. There are both upside risks to them, from energy prices and supply chain

issues, as well as downside risks, from a reduction in demand. For the moment, it still seems likely that the Strait of Hormuz will reopen before the summer, and that the construction industry will see strong growth next year. Robust construction growth in 2027 explains why we still expect tender price growth to substantially outpace consumer price growth, however, we will adjust our forecasts in Q2 if conditions change.

While we are raising our forecast for this year, we have also decided that it is necessary to lower our tender price figure for last year. Driving this updated analysis is the weakening of construction pay. Regular annual pay growth slowed dramatically in 2025 and, having stood at 6.4% in April, slipped to 2.3% in December. In annual terms, construction output rose 1.8%, but it finished the year poorly. Declining 2.1%, it was the industry's worst quarter since early in the pandemic and this weakness and lack of demand further strengthens the case for trimming our forecast. Even so, it is worth noting that tender price inflation of 3.0% - 3.5% is perfectly respectable and close to last year's CPI inflation. New orders growing 12.6% will have helped contractors, and infrastructure rising by almost 50% explains why we believe tender price growth will have been faster in this sector.

Closer to home, the political environment is also becoming more unsettled. Recent by-election results, shifting party loyalties and the rise of smaller political movements all point to a landscape in flux. With local elections approaching in May, the coming weeks should provide a clearer sense of public sentiment and how Westminster may respond in the months ahead. Against this backdrop, the government's Spring Forecast projected a steady fiscal position, giving ministers some flexibility as they navigate the economic pressures associated with the Middle Eastern conflict. While the OBR has already trimmed its growth expectations for the year, the updated Infrastructure Pipeline continues to signal strong long-term investment, with £718bn planned over the next decade, around half directed towards the energy sector, offering ongoing opportunities for contractors, consultants and workers alike.

The past: Rapid deceleration in pay growth likely to have kept a lid on tender prices

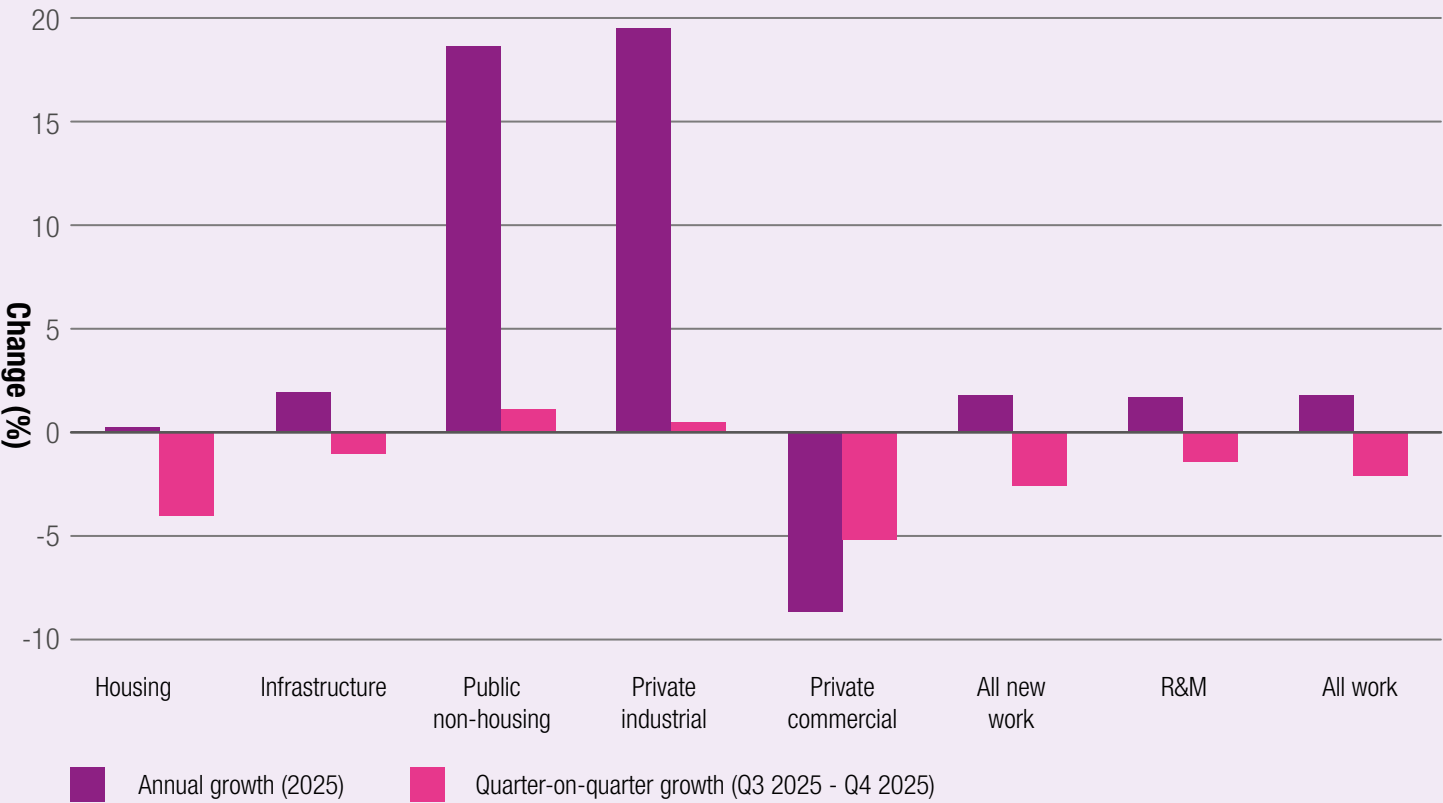
2025 was a mixed year for the economy. GDP rose 1.3%, an improvement on 2024, but hardly impressive. Similarly, GDP per capita bettered both 2023's 1.0% decline and no change in 2024, but the increase of 1.0% was not enough to make the average person better off than they were in Q2 2022. High inflation in recent years is one of the main reasons for worsening living standards and last year, once again, prices rose noticeably faster than the Bank of England's target of 2%. Inflation ended the year at 3.4% with education and alcohol and tobacco seeing the sharpest rises. Yet, despite inflation having spent most of the year above 3%, the Bank of England was still able to cut interest rates four times. As the year progressed, the Monetary Policy Committee (MPC) became less worried about wage growth and more concerned about unemployment. The number of people out of work, one of last year's most troubling indicators, rose by 331,000, with the unemployment rate rising from 4.4% in Q4 2024 to 5.2% at the end of 2025. Such an environment provided few tailwinds for construction.

Like with the wider economy, construction's best year since 2022 mainly challenges to the sector in 2023 and 2024, rather than a vibrant revival in 2025. Overall, the industry grew 1.8%, with similar levels of support coming from two types of output, all new work and repair and maintenance. However, despite last year being a positive one, it was disappointing to see momentum reverse in the second half of the year. In particular, the final quarter was a challenging one, and total output dropping 2.1% made it the worst quarter since Covid caused sites to temporarily close in 2020. According to the S&P Global UK Construction PMI surveys from Q4, reasons for this weakness included a lack of demand, fragile business confidence and uncertainty caused by the Budget. Although the latter factor is now clearly less relevant, and assuming the conflict in the Middle East doesn't last for too long, the other two issues are likely to improve as the year progresses, and there should be a recovery from the final quarter of 2025's downturn.

The poor final quarter was particularly noticeable within all new work, where output shrank 2.6% and all sectors

CONSTRUCTION OUTPUT SINKS IN Q4

Source: ONS



bar public non-housing and private industrial declined. It was also these two sectors which contributed to the majority of all new work's growth in 2025. Public non-housing expanded 18.6% for the year, helped by a large increase in government spending. While another year of such immense growth seems unlikely, government plans point to further rises in capital expenditure. Whereas public non-housing reached levels last seen in the mid-2010s, private industrial output, which enjoyed growth of 19.5% in 2025, hit its highest level in over two decades. Driven by booming alternative sectors such as life sciences and data centres, growth is also likely to moderate this year.

The worst-performing sector last year was private commercial. Falling 8.6% in 2025, this was the sixth year in the last seven where output has declined. Going back to before Covid, output is now 40.1% lower than the high it hit in 2017. In Q4, private commercial output shrank 5.2% and while at some point the downwards trajectory must end, the fundamentals for a concerted bounce back are still missing. Households and consumers remain under pressure which will continue to negatively affect the retail and entertainment parts of

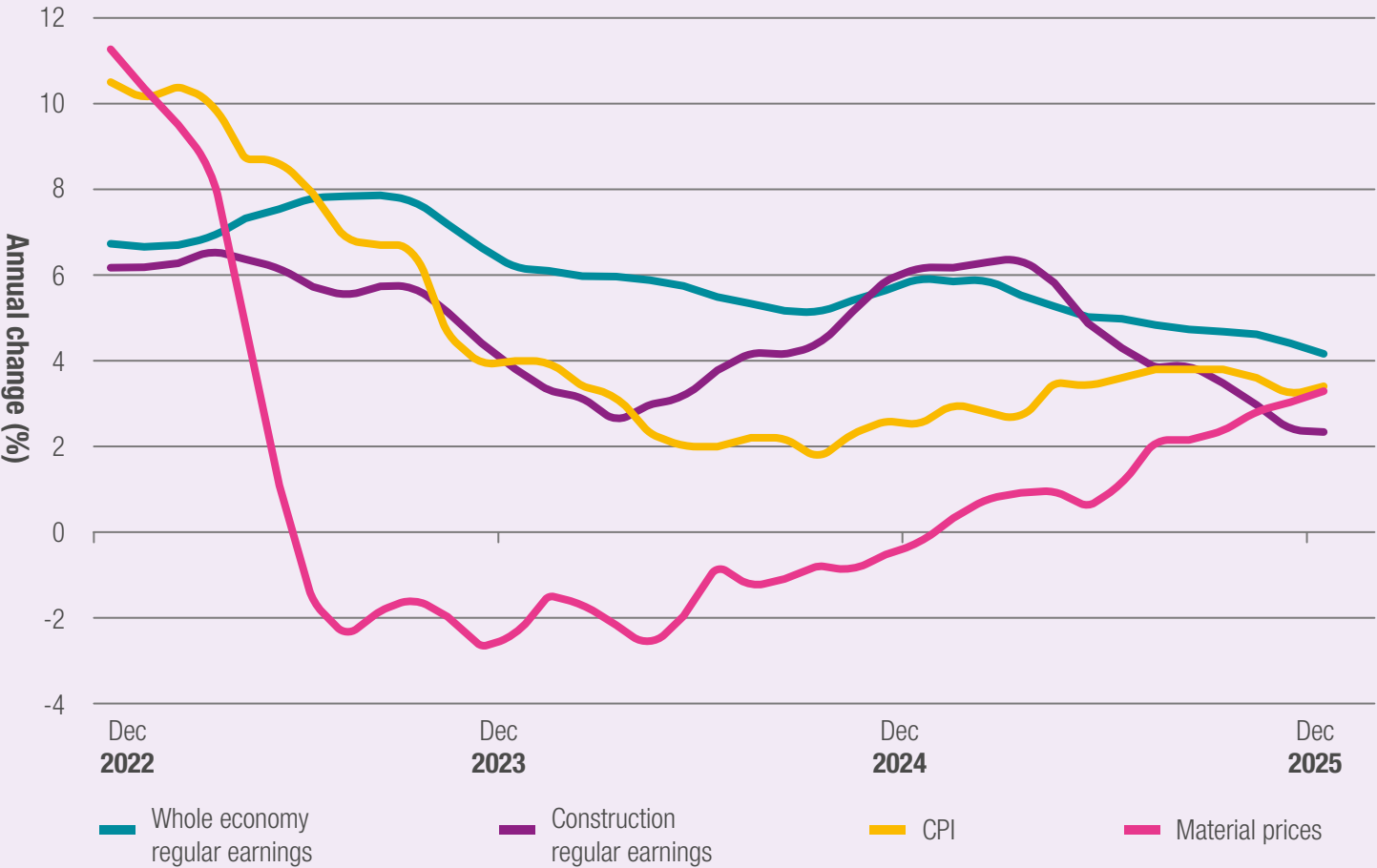
private commercial. Similarly, although reports suggest a lack of office space is driving up rents, it will take time for developers to react to such price signals.

Construction pay has decelerated rapidly, and having peaked at 6.4% in April, its highest level in two years, regular annual pay growth slowed to 2.3% in December. Noticeably lower than inflation, it is also considerably weaker than pay growth in the private sector. Due to this slowdown, we have decided to marginally lower our tender price forecasts for 2025. Not only has lower pay growth allowed contractors to be more aggressive with their pricing, but the pressure they have come under also helps explain why they have squeezed pay growth. With vacancies also dropping, there is a clear impression of a weakening labour market.

Meanwhile, material costs rose 3.3% last year, leaving materials price inflation at its highest in more than two-and-a-half years. However, after rising 3.0% between December 2024 and June 2025, the index was virtually unchanged in the second half of the year. The recent rise in inflation is partly down to base effects, and with prices barely moving after June, it seems a general lack of demand has also affected materials.

MATERIAL PRICE INFLATION
ACCELERATES DURING 2025 WHILE
CONSTRUCTION PAY GROWTH SLOWS

Source: ONS, DBT



The present: Middle Eastern conflict and rising energy prices will increase inflation this year

Since 28 February, tensions in the Middle East have been high, with the conflict involving the US, Israel and Iran spilling over into neighbouring countries and, from a global economic standpoint, resulting in the closure of the Strait of Hormuz. Around 20% of the world's oil passes through the Strait of Hormuz, and its closure has pushed oil prices sharply higher, from around US\$60 per barrel at the start of the year to over US\$100.

Gas prices have also risen, partly reflecting Qatar's role as the world's second largest gas exporter. These increases will feed through to higher inflation globally, including in the UK. This will feed through to higher inflation and result in weaker economic growth, and the higher prices rise and the longer they remain elevated, the greater the impact on inflation, and the more the economy will slow.

For construction, the main concern is also around inflation. As we saw in the aftermath of the Ukraine crisis, construction materials are particularly susceptible to higher energy prices. Construction materials include

many energy-intensive products such as bricks, glass and cement, while oil is a key input into plastic goods. All such materials are likely to face pressures. Higher oil prices are pushing up transport costs, and disruption to shipping has driven container prices up to levels seen after Covid. While gas prices are still a long way from the highs seen in the aftermath of the Ukraine war, even if they were to hit such levels again, we would not expect to see the material price inflation we did then. Ukraine was a big producer of steel, and the war caused rebar prices to rise 26.0% in March 2022. Yet, whereas we shouldn't have to worry about a drop in supply from a steel producer, concerns are growing about the impact new steel tariffs will have. Aimed at protecting domestic steel producers, reduced quotas and higher tariffs will increase costs for construction firms and the CLC are pushing for the changes to be delayed.

Other issues to be aware of include aluminium, around 30% of which European imports rely on. Prices have risen by 20% since the start of the year, which will affect products such as windows and roofing. While not directly linked to construction, fertiliser costs will have knock-on effects on food prices, a concern for

THE CLOSURE OF THE STRAIT OF HORMUZ CAUSES OIL PRICES TO SURGE

Source: LSEG





Infrastructure new orders grew 46.8% in 2025 - a clear indicator of resilience despite wider economic uncertainty.

both households and the Bank of England. Similarly, around 30% of the global supply of helium passes through the Strait of Hormuz and, as a key input for semiconductors, this could hinder the ongoing AI boom.

It is almost certain that material prices will rise more than we would have expected them to at the start of the year, which explains why we have nudged up our tender price forecasts for 2026. We would also expect higher material prices to have a negative impact on construction output, however, as with the wider economy and CPI inflation, the change to material price inflation and the impact on construction output will be dependent on how long the war lasts and the shift in energy prices. Given this unpredictability, there are clear risks around material price inflation, construction output and our tender price forecasts.

Despite the uncertainty created by the war, the strongest indicator for how construction will perform this year remains the volume of new orders placed in 2025. The figures had a small setback in the final quarter of last year, but in total new orders rose 12.6% in 2025 and were noticeably stronger than in the previous two years. This growth was also fairly broad-based, with private housing the only sector having a worse year than in 2024, and the expectation will be that as these projects proceed, they will drive up output.

Infrastructure, which saw new orders grow 46.8% last year, contributed to two-thirds of the total rise in new orders. The sector finished the year on a healthy note, rising almost 10% in Q4, but all four quarters in 2025 were strong. Railways had a stellar year and in nominal terms were almost 200% higher than in 2024. The Midlands Rail Hub upgrade boosted infrastructure

in Q4, but water, sewerage and electricity, the largest part of infrastructure, also reported impressive growth for the year. Promisingly, last year infrastructure's public portion was 76% higher in nominal terms than in 2024, showing how the government's strategy appears to be starting to bear fruit. There is now the question of how quickly new orders will result in higher output. Having had a modest year, growing just 1.9%, infrastructure output shrank in both Q3 and Q4, and the hope will be that the strong pipeline will result in substantially faster growth in 2026.

Whether housing can improve this year is likely to be a key determinant of overall construction output. This is not only because housing is construction's largest sector, but also because its recent weakness means there is plenty of scope for it to expand. However, despite private housing new orders increasing 13.5% in Q4, in total they declined 10.4% for the year. The fourth year in a row where new orders have dropped, 2025 was private housing's worst year since 2009.

One challenge with new orders is just how quickly they feed through into projects starting on site and work taking place. Uncertainty created by the war may delay some schemes, but even before it started, the general outlook for the economy wasn't especially strong. The Spring Forecast, which Chancellor of the Exchequer Rachel Reeves gave on 3 March, was always set to be a low-key affair. However, in presenting it just days after the start of the conflict in the Middle East, the latest forecasts from the Office for Budget Responsibility were already out of date. The OBR had cut its GDP forecasts for the year from 1.4% to 1.1%, in line with February's consensus, but now almost certainly too optimistic.

In the Chancellor’s announcement, Rachel Reeves was keen to emphasise the improving fiscal position. With the fiscal headroom in 2029/30 standing at £23.6bn the implication is that decisions made last year have bolstered the government’s finances. Part of the reason fiscal headroom is important is that it gives a government the ability to deal with shocks. While not there yet, in some of the worst-case scenarios, such as with oil hitting US\$150/b, public pressure may force the government to intervene. The IFS has estimated that support for businesses and households during the Ukraine crisis cost the government £75bn. If the government had to intervene to anything close to this amount again, there would need to be substantial tax rises and spending cuts. Some of these spending cuts would undoubtedly fall onto government-funded construction projects creating future risks. However, for the time being, we are a long way away from needing such intervention, and infrastructure and public spending on construction projects should continue as normal.

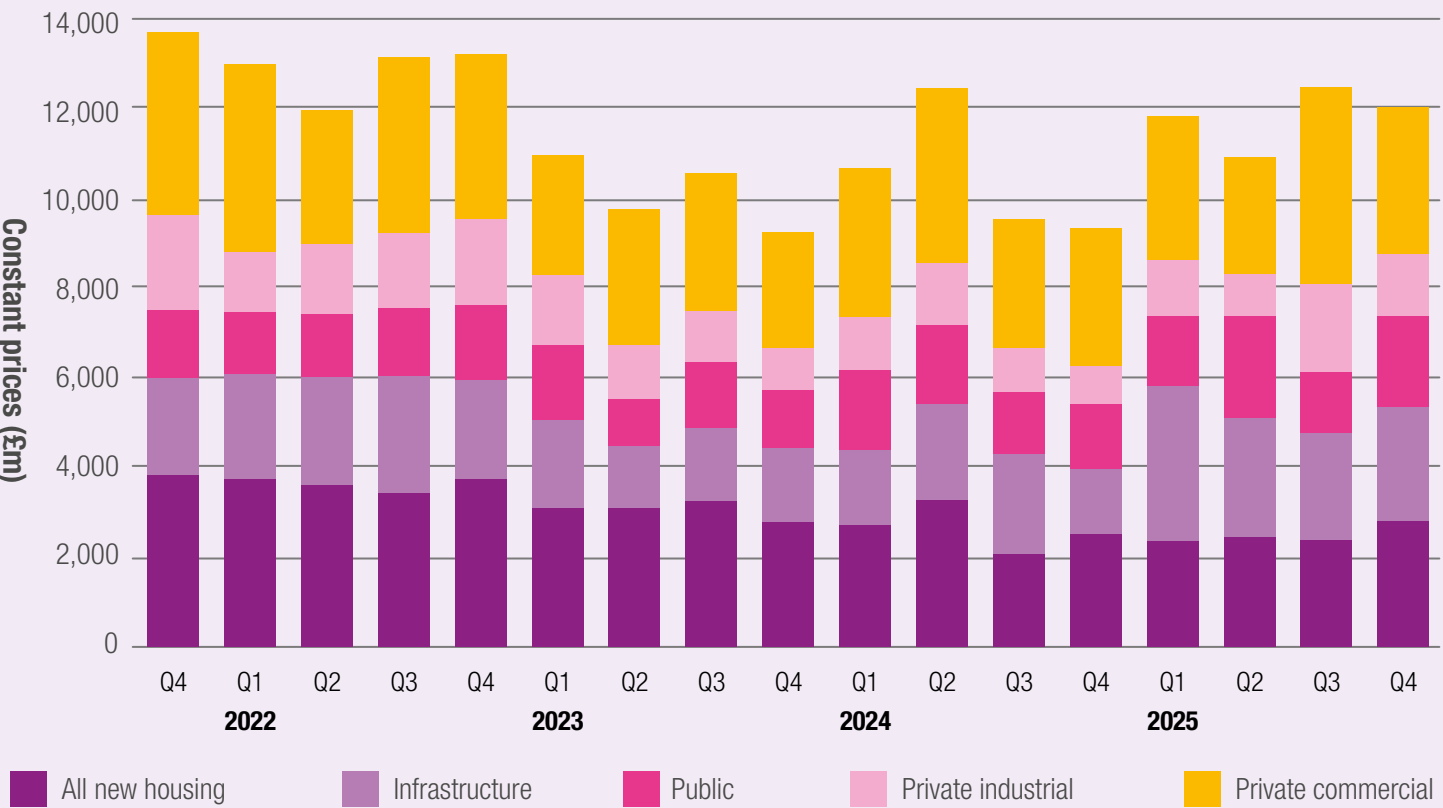
By contrast, housing appears the sector most vulnerable to the conflict in the Middle East. Already facing a challenging outlook, higher inflation has the potential to hurt the sector in several ways. Firstly viability, already an ongoing problem, will only get worse with material prices rising. Additionally,

through weaker demand for housing, and reduced sales price growth, viability pressures will also become more noticeable. This will happen as higher consumer inflation will hit real incomes and deter large expenditures. Similarly, mortgage rates have already risen, but how far they go, and one of the big unknowns for the UK economy about the crisis, is how the Bank of England responds.

Before the war, it seemed likely the MPC would cut rates either in March or April, with at least one, and potentially two more cuts happening this year. However, the surge in oil and gas prices has upended this trajectory and rate cuts in 2026 now seem unlikely, and there may be a need for rate rises. At its March meeting, the MPC left rates on hold and signalled that it would carefully monitor global energy prices. Wanting to wait to see how the conflict plays out, while the vote to leave rates on hold was unanimous, there is a wide range of opinions on how the economy is faring. Several MPC members highlighted concerns around inflation becoming more persistent and the need to raise rates to avoid this. However, some members remain more concerned about the weakness of the economy and will be worried that any rise in rates will only make things worse. Not only will a longer conflict damage construction through higher prices, but if it leads to higher interest rates, this will also dampen demand.

NEW ORDERS SHOULD BOOST
OUTPUT IN 2026

Source: ONS



The future: Updated infrastructure pipeline highlights opportunities

Further ahead, and assuming the Middle Eastern conflict doesn't cause longer-term inflationary issues, prospects for the industry look good. The National Infrastructure and Service Transformation Authority (NISTA) published an updated Infrastructure Pipeline. Aimed at giving the industry clarity and providing certainty, it covers 616 projects and programmes and 118 funds and regulatory settlements, providing a total planned investment over the next 10 years of £718bn. Furthermore, there is £179bn of planned investment for the two years through to the end of the 2026/27 fiscal year and with £460bn of planned investment for the next five years, the Pipeline will support construction output going forward. Unfortunately, one major risk to these substantial sums is that they may not be adjusted in-line with the potential inflationary pressures the Middle East crisis may cause.

Of the £718bn, a little over half will go to energy, 16% is for transport, 11% for health and 9% for the water industry. £252bn will come from public financing and £466bn from either the private sector or a mix of public sector and private sector funding. As well as being a source of funding, often the more important role of government is to provide an environment which encourages private investment. Meanwhile, energy, where the source of funding is usually either private or a mix of public and private, is already the largest sector, and the conflict in the Middle East only makes the case for investment in renewables and upgrading the grid stronger.

NISTA intends to update the Pipeline every six months, adding new details and features at each iteration. As part of March's update, it has started estimating the number of jobs it expects are needed to meet requirements of the Pipeline. Over the next two years, it anticipates the Pipeline will support an average of between 621k and 697k jobs, with this rising to between 629k and 706k on a 5-year average. Of these, the construction industry will supply around two-thirds of the roles, with over 100,000 jobs involved in the energy, health and transport sectors each. In the upper bound scenario, the energy sector will need almost 200,000 jobs on average over the next five years.

Unfortunately, as with the size of the capital investment, this estimate doesn't give any guidance on how many new and additional jobs the Pipeline will create. According to the ONS, there are around 2.2m construction workforce jobs, but it is unclear how much successful delivery of the Pipeline, combined with demand from other parts of the construction industry, would push this up by. The likelihood is that the well-known current skills shortages get worse and, in an attempt to help lessen this problem, last year, the government announced two separate schemes with the potential to train 100,000 new construction workers. While encouraging young workers to enter the industry will help, increased demand for experienced workers would allow them to ask for higher pay.

In an interesting piece of analysis by the Bank of England in February's Monetary Policy Report, the Bank looked into how firms in different sectors set wages. Splitting firms into 18 sectors and four categories the research found construction had a larger share of firms who offered higher pay as well



Energy remains the largest beneficiary of planned investment, with geopolitical uncertainty strengthening the case for renewables and grid upgrades.

as an oversized share of what the report described as cost minimising firms. For construction firms who offer higher pay (approximately 30% fall into this category, which the Bank of England call reputational), this is likely due to recruitment and retention strategies, and the need to deal with skills shortages. These firms usually raise wages quickly when inflation expectations rise. Meanwhile, the cost minimiser component, was construction's largest, and applied to over 40% of the industry covered by the study. Typically employing a substantial proportion of workers at, or near the National Living Wage, labour market tightness in their industry and regions also drives pay in this category.

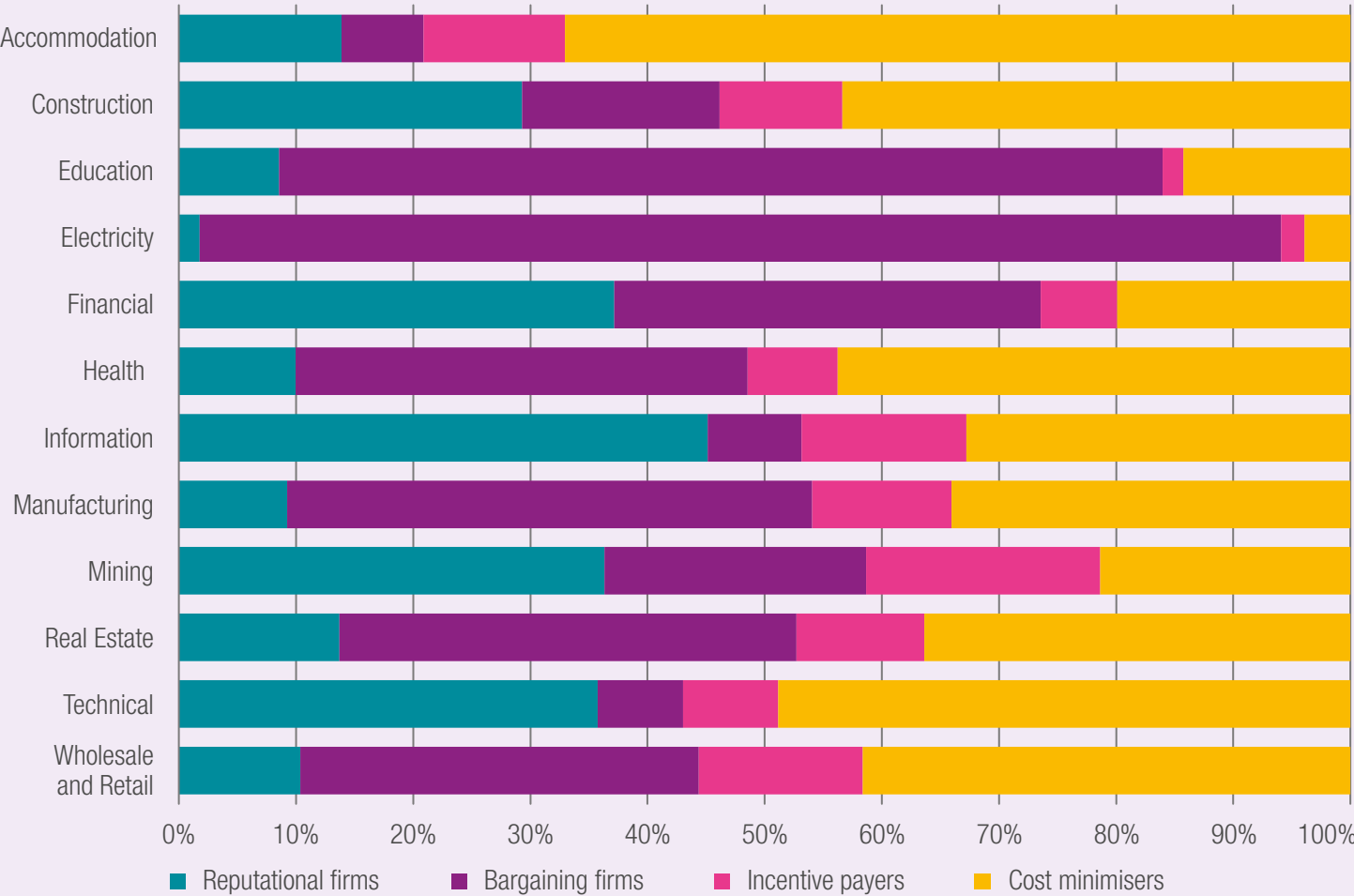
While the results of this work may not come as a surprise for those in the industry, the implications are important. One of the reasons we have consistently forecast tender prices to rise in the coming years is due to pressures stemming from construction labour costs. Our justification has always been that there are skills shortages and a large pipeline of work, and combined, these two factors will lead to faster pay

risers. Now, the Bank of England analysis confirms that the construction industry is likely to behave in this way if there is the type of jump in output that government proposals would suggest.

One risk from this is that higher pay and rising input costs have the potential to deter investment. Similarly, government spending and infrastructure projects could crowd out housing, commercial and other private sector schemes. At present, new housing projects are facing significant viability challenges, and if the cost of building outstrips new house price inflation, this will only get worse. Rising pay may also put pressure on the amount of output coming from NISTA's Pipeline, as while the money spent could stay the same, the amount that money delivers would be less. More optimistically, such pressures could speed up the uptake of AI and encourage investment in Modern Methods of Construction and approaches that result in more efficient delivery. One of the main aims of the Pipeline is to give firms enough certainty to invest, and if such clarity, combined with the risk of a greater volume of work leading to higher pay, results in the type of capital investment which gives a more productive outcome, the government can consider it a success.

BANK OF ENGLAND MODEL
UNDERScores THE LIKELIHOOD OF
RAPID PAY GROWTH IN RESPONSE TO
RISING OUTPUT

Source: Bank of England



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