

Financial Viability Assessment

10 – 20 Marine Place

Worthing

West Sussex

BN11 3DN



Turner Morum LLP

April 2026

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1. INTRUCTIONS

- 1.1. The applicant ('Craig Developments') has instructed Turner Morum LLP ('TM') of 32 – 33 Cowcross Street, London, EC1M 6DF, to undertake a viability assessment of their proposed application scheme. This report has been prepared by Nick Bignall MRICS who is a Partner.

2. TURNER MORUM

- 2.1. TM is a London-based firm of Chartered Surveyors established in 1991 which provides specialist advice to a variety of clients covering a range of key areas. The Development Consultancy team has built up an extensive portfolio of clients including Local Authorities, Landowners, Housing Associations, Promoters, Housebuilders and other Developers across the whole of the UK.
- 2.2. The primary services which the department specialise in include advising on the viability of development projects, planning and Section 106 (s106) obligations, option agreements and valuations, land assembly and access issues.
- 2.3. The Partners within the department regularly provide expert witness evidence within litigation, valuation disputes (independent expert determination / arbitration), planning appeals/inquiries, and Local Plan / CIL Examinations, etc. Full details of some of our recent case experience can be viewed at **Appendix 6**.

3. SITE LOCATION & DESCRIPTION

- 3.1. The subject site comprises existing storage/warehouse buildings to the northern half of the site and a large area of uneven hardstanding to the southern half, which is used as a car park. Within this southern area is an electric substation.
- 3.2. The storage buildings were previously used ancillary to the adjacent Debenhams' retail use to the west, but these buildings have been vacant since Debenhams closed in May 2021. The site is currently being used as a means of storage for the construction on the former Debenhams site, which is going through redevelopment.
- 3.3. The site is located adjacent to both Warwick and South Street which are primary commercial streets in Worthing. The site area measures approximately 0.07 hectares / 0.18 acres. The existing buildings have a gross internal floor area of 325 sqm. A location plan can be viewed as per **Appendix 1**.

- 3.4. The site benefits from a consented planning application (AWDM/1884/22) approved in April 2023 for the following scheme:

Demolition of existing commercial storage buildings, erection of new 3-storey building containing 9 apartments, with additional studio/ office space at lower ground floor level. To include on-site secure bicycle and refuse storage, and the relocation of an existing electrical substation.

4. PROPOSED SCHEME

- 4.1. The proposed scheme is for:

'Proposed demolition of existing buildings and construction of a three-storey building comprising 27no 1-bed apartments, with associated internal communal areas, secure cycle and bin storage, and hard and soft landscaping.'

5. METHODOLOGY & VIABILITY GUIDANCE

- 5.1. TM have carried out a development appraisal adopting a bespoke residual valuation model structure to analyse the viability of the proposed scheme. The residual appraisal and supporting information can be seen as **Appendix 2**. This appraisal model follows the same principles and methodology as other toolkit models such as Argus or the HCA Toolkit.
- 5.2. In undertaking this viability, we are aware and follow the mandatory RICS *Financial Viability in Planning; Conduct & Reporting (2019)*. We are also aware of viability guidance documents such as the RICS *Assessing viability in planning under the NPPF 2019 for England (2021)*, the Planning Practice Guidance (PPG) on Viability published following updates to the National Planning Policy Framework (NPPF).
- 5.3. In carrying out this assessment, we have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information. We are not aware of any conflicts of interest in relation to this assessment.
- 5.4. In preparing this report, we have not agreed any 'performance-related' or 'contingent' fees. We address this report to the applicant only and it should not be reproduced without prior consent. This report has been provided for its stated purposes and singular use of the named clients and may not be relied upon by any third party.

5.5. This report has been prepared by:

Nick Bignall MSc MRICS

Partner



6. RESIDUAL APPRAISAL METHODOLOGY

- 6.1. The widely accepted approach for assessing the viability of sites at the planning application stage and the plan-making stage is to produce a residual appraisal which generates a Residual Land Value (RLV) output. This RLV is then compared with an appropriate Benchmark Land Value (BLV) which is usually an Existing Use Value (EUV) or an Alternative Use Value in certain cases.
- 6.2. The simple premise is that where the RLV exceeds the BLV, a surplus is generated and the scheme can be considered “viable”. However, if the BLV exceeds the RLV, a deficit is produced and the scheme can be considered technically “non-viable”.
- 6.3. The simplified structure of a viability assessment can be summarised as follows:

$$\begin{array}{r} \textbf{Gross Development Value (GDV)} \\ \text{Minus} \\ \textbf{Developer Costs} \\ \text{Minus} \\ \textbf{Developer Profit} \\ = \\ \textbf{Residual Land Value (RLV)} \\ \text{Minus} \\ \textbf{BLV / EUV / AUV} \\ = \\ \textbf{Surplus/Deficit (Viable/Non-Viable)} \end{array}$$

- 6.4. There are variations to the above methodology where the extent of the surplus is determined by measuring profit as an outturn against a target profit level; however, the principles remain the same. The above methodology is supported in guidance documents at both a national level with the PPG on Viability) and through professional bodies such as the RICS.

7. APPRAISAL MODELS TESTED

7.1. The residual appraisal analysis can be summarised as follows:

- **Appendix 2 Tab 1A** – Appraisal showing the viability of the proposed scheme with 19% affordable housing (5 units) with a 80/20 split as affordable rent and shared ownership respectively. This model **includes the provision of a basement commercial unit**.
- **Appendix 2 Tab 1B** – Appraisal showing the same scheme as above but with affordable housing provision removed.
- **Appendix 2 Tab 1C** – Appraisal showing the viability of the proposed scheme with 19% affordable housing (5 units) with a 80/20 split as affordable rent and shared ownership respectively. This model **does not include the provision of a basement commercial unit**.
- **Appendix 2 Tab 1D** – Appraisal showing the same scheme as above but with affordable housing provision removed.

7.2. The applicant is proposing in the application scheme to remove the basement commercial space and through this improve the viability. The impact of this change is measured through the different scenarios considered above, which also test the ability of the site to deliver on affordable housing objectives.

7.3. Below, we have expanded on the various appraisal inputs in sequential order as they appear in the residual appraisal analysis:

8. APPRAISAL INPUTS

GROSS DEVELOPMENT VALUE ('GDV')

Market Housing

- 8.1. Market revenues for the residential units are based upon research of comparable schemes and discussions with local agents. We have also referenced the position on market revenues as agreed on the neighbouring Debenhams site (AWDM/1906/22) where TM also advised on viability.
- 8.2. In that case, we submitted the following position on GDV, which was reviewed and agreed by the Council consultants, Dixon Searle Partnership (DSP) in May 2023:

3.3.5 TM have summarised the unit mix and values on page 6 of the VS (reproduced below for ease of reference):

Beds	Total Sq ft	GDV	No. of Units	£/Unit	£/PSF
S	15522	£8,635,000	35	£246,714	£556
1	15392	£7,830,000	25	£313,200	£509
2	14725	£8,280,000	19	£435,789	£562
	45639	£24,745,000	79	£313,228	£542

3.3.6 The flats proposed are the following average sizes:

Studios 443 ft² (41 m²)

1-beds 616 ft² (57 m²)

2-beds 775 ft² (72 m²)

- 8.3. To compare with the proposed scheme, the average dwelling size is most closely aligned with the studio units above, which would suggest a reasonable benchmark could be c. £550 psf (or £246k). The reality is the unit value would be slightly lower in the proposed scheme due it having smaller unit sizes.
- 8.4. Furthermore, if one reviews the Land Registry House Price Index (HPI) for flats/maisonettes in Worthing the index shows from May 2023 (99.3) to December 2025 (91.1) a drop in values of 8.3%. This would reduce the values from the Debenhams example above to c. £505 psf. The reference to Land Registry data uses the combined 2nd-hand and new-build sample; we do not rely solely on the new-build sample because there are limited recorded new-build sales, so the data cannot be relied upon. For example, in 2025 there have only been 3 new build sales recorded in Worthing. This compares with 1,243 existing-property sales during the same period.
- 8.5. In addition to the above we have also considered local asking price evidence. There is extremely limited new build evidence on the market (discounting age restricted dwellings) and so we have focused the search on 2nd hand modern comparables.
- 8.6. Firstly, we would refer to Lennox Road which was completed by Rocco Homes in 2021. This site is located c. 0.5 miles north of the subject site and is on the market for £205k although the size of the dwelling is not confirmed.
- 8.7. In addition to the above a refurbished ground floor apartment is on the market for £190k located on Brunswick Road in Worthing which is c. 0.7 miles to the west of the subject site. This

dwelling is actually 645 sq ft, so much larger than anything in the proposed scheme, although we acknowledge it sits within an older period property.

- 8.8. The main evidence we sourced in terms of evidence sales of comparable properties is the sale of Flat 2, The Presbytery, 127, North Road, Lancing, West Sussex BN15 9WW. This dwelling sold in April 2024 for £225k equating to £387 psf. It formed part of the refurbishment and conversion of a former presbytery building (Grade II listed) into 7 flats. This site is located c. 2.5 miles to the east of the subject site.
- 8.9. In addition to the above evidence and research we have been provided with pricing schedules from Pear Properties (who are local estate agents based in Lancing) and Jacobs Steel (who are local agents based in Worthing). Their schedules are included as per **Appendix 3**; the Jacobs Steel schedule provided a range of GDVs with a midpoint averaging £416 psf, whereas the Pear Properties schedule shows an average of £516 psf. We consider the Pear Properties schedule to be more aligned with the comparable and contextual evidence above and, therefore, have adopted it in this assessment as the GDV.

Affordable Housing

- 8.10. Affordable rent values have been calculated using a Discounted Cashflow taking into account factors such as standard levels for individual RPs management and maintenance costs, finance costs, voids, discount rate etc. The rent values have been calculated with reference to the Local Housing Allowance Rates for the area. We have referenced these assumptions against Worthing Borough Council Local Plan Viability (LPV) produced by DSP in 2020. Within their Appendix 1, they confirm assumptions on affordable rent at £117,969 per 1 bed unit and shared ownership values are assumed to be at 60% of MV.
- 8.11. To support the position on shared ownership, we have cross-referenced using a Discounted Cashflow Analysis. The basic premise of the DCF model is to take the full market value of the units and discount them over an assumed 30-year staircasing period. A capital receipt is then calculated for each tranche payment, based on the discounted Market Value figure for the year in which it falls, whilst accounting also for the rent paid on the retained share of the property, and any associated costs. This produces a yearly income total, the sum of which produces a gross revenue figure, from which one would then deduct appropriate costs and marketing fees etc.

- 8.12. For a DCF the standard assumptions include 4 * 25% tranche payments (including initial deposit) in Years 1, 10, 20 and 30. Over this 30-year staircasing period, whereby purchasers will step up to 100% equity with a corresponding reduction in rents over the period, this is then capitalised with a discount rate of 6.5%, taking account of anticipated management costs, allowance for bad debts and inflation (2%). A rent charge of 2.0% on the retained portion of the unit is also assumed.
- 8.13. The result of this assessment is an outturn capital value of £263 psf for the rented dwellings and £357 psf for the shared ownership.

Commercial Uses

- 8.14. Tabs 1A and 1B of **Appendix 2** assume a Class E commercial use in the basement within the proposed development equating to 2,153 sq ft. When establishing a capital value for the commercial use, we have relied on local comparable evidence. While the unit has a use class of Class E, considering that it is on the basement floor with no frontage, we consider a tenant taking the space as an office use to be the most suitable use.
- 8.15. Therefore, we have researched recent local lettings and properties currently on the market, the evidence for which can be found in **Appendix 3**. There are two offices on Liverpool Street Gardens that have recently been let, located 0.16 miles to the north of the subject site. 15 Liverpool Gardens contained a 1st-floor office that was let at £12.68 psf for 1,340 sq ft in June 2025. The ground and 1st floor of no. 17 was also let at a similar price 6 months earlier, in January 2025, at £12.55 per sq ft for 1,475 sq ft. Both properties were in fair and basic condition.
- 8.16. Furthermore, there was a letting of ground and first floor office space at 60A Newland Road for 1,433 sq ft in June 2025 at £10.47 psf. This property is located 0.48 miles away and was in a basic condition, which reflects the slightly lower rent compared to the other comparables. More recently, there was a letting on the ground and first floors of a 2,182 sq ft office on Portland Road, which is nearly directly comparable in size to the subject property. Portland Road is located 0.2 miles from the site, and the property was again in fair condition. This office was listed with an asking rent of £11.46 sf.
- 8.17. Having regard to the evidence above, we deem a rent of £10 psf suitable for the commercial space, taking into account the space's lower-level position within the building. We have applied a 6% yield to this, along with a 6-month rent-free incentive, to arrive at a capital value of £348,494 for the commercial element of the scheme.

DEVELOPMENT COSTS

Fees & Marketing/Disposal Costs

- 8.18. Fees and marketing costs in respect of the development are included at 3% of market housing GDV, and the cost of disposing of the affordable units to a Registered Provider is included at 0.5% of affordable GDV, as per standard industry benchmarks.
- 8.19. We note the LPV proposes an allowance of 3% marketing plus £750 per dwelling for legal fees so we are conservative when measured against this benchmark.

Construction Costs

- 8.20. The construction costs are derived from a full site cost plan provided by the applicant. The total costs are assumed at c. £4.52m, equating to an average of £337 psf (including contingency). Full details of the cost plan can be viewed as per **Appendix 4**.
- 8.21. The costs are reduced to c. £3.67m when the costs associated with the basement development are removed and this reduced cost is reflected in the appraisal models as per **Tabs 1c and 1d of Appendix 2**.

Professional Fees

- 8.22. An allowance for Technical Fees is included at 10% of the Standard Build Cost, which reflects the costs associated with Architects, Quantity Surveyors, Engineers, Project Management and other technical / professional consultancy fees. By way of comparison, the adopted allowance in the LPV is 8% - 10%

Developer Profit

- 8.23. Developer Profit is reflected at 20% (of GDV) for the market housing and 6% (of GDV) for the affordable housing ((with 15% (of GDV) applied to commercial uses where applicable)). These assumed returns are within industry accepted industry parameters although we acknowledge the potential for a lower margin to be argued for (as in the Debenham case referenced earlier) and as such we have also tested the impact on the viability of a reduced target margin of 17.5% on GDV in section 10 of this report.

S106/CIL

- 8.24. Estimated S106 costs have been included at a cost of £55k although we understand the Council have not provided the applicant with a specific estimate at this stage. CIL has been calculated based on the proposed scheme GIA with a reduction for the affordable housing provision. CIL is applied adopting the latest charge of £ 30.03 psm. During the course of the application process, should either of the assumptions on CIL/S106 prove to be inaccurate, TM would reserve the right to amend the appraisal in line with the accurate planning obligations.

Finance Costs

- 8.25. Finance costs have been calculated using a quarterly cashflow to reflect the finance costs for each residual appraisal scenario. This can be seen as per **Tab 5A – 5D of Appendix 2** and reflect the details of the particular scheme including the build rate of the residential units and the particular infrastructure timings.
- 8.26. The cashflows adopt the assumption that construction will commence on site within Q2 Year 1 (this is assumed to be following a period of site preparation) and will be completed by the end of Q2 Year 2 (15 month build programme).
- 8.27. All of the residential sales are assumed to be achieved in the 6 months post completion; this includes a portion of off-plan sales, although the monies from these sales would go into escrow and would not be accessible by the developer until after the development is completed.
- 8.28. The affordable dwellings are assumed to be disposed of via a 'golden brick' payment. The cashflow works on a finance rate on debit of **7.5%**, which TM believe is reasonable in the current climate.

9. BENCHMARK LAND VALUE

- 9.1. The issue of what is deemed to be an appropriate Land Value for inclusion within viability studies is at present a highly topical subject. Planning appeal decisions and government guidance dictate that one has to ignore the amount that is actually paid for a development site and instead adopt an appropriate Existing or Alternative Use Value (EUV/AUV) as the Benchmark Land Value (BLV).

- 9.2. To inform the EUV, the subject site comprises existing storage/warehouse buildings to the northern half of the site and a large area of uneven hardstanding to the southern half, which is used as a car park.
- 9.3. To inform the car park value we have been provided with a tenancy at will dated June 2023 which shows a rental income of £12,000 pa for the car park use on the site. It is our understanding that although the site has now been used for construction purposes, were development not to occur on this site, the car park use would continue and, on that basis, we have assumed a continuation of the car park rental income. We have therefore capitalised this income at a 6% yield, producing a value after purchasers' costs of £186,400.
- 9.4. The site also includes storage buildings equating to 325 sqm or 3,498 sq ft. However, we have not been provided with detailed information on these buildings and thus for now have not attributed them any further value, although we reserve the right to review this position.
- 9.5. It is accepted in viability guidance/practice that a premium can be applied when adopting an EUV in a viability. This premium is intended to reflect the incentive required for a hypothetical landowner to sell their site. In this instance we have applied a 20% premium which within the accepted range and especially applicable in this case considering the storage uses on site which currently have no further value applied.

10. SUMMARY CONCLUSIONS

- 10.1. Based on the assumptions as outlined in this report, the summary conclusions for the viability assessment are shown in the schedule below:

Tab	Description	Total Units	Affordable % (Units)	RLV	EUV	Surplus / Deficit	Viable/ Non-Viable?
1A	19% Affordable Housing	27	19%	-£963,972	£223,680	-£1,187,652	NON-VIABLE
1B	0% Affordable Housing	27	0%	-£683,057	£223,680	-£906,737	NON-VIABLE
1C	19% Affordable Housing - Without Basement	27	19%	-£251,817	£223,680	-£475,497	NON-VIABLE
1D	0% Affordable Housing - Without Basement	27	0%	£14,809	£223,680	-£208,871	NON-VIABLE

- 10.2. It will be noted from the above summary table that the scheme is shown as technically non-viable even when the level of affordable housing is reduced to 0% affordable housing, the viability is clearly improved through the removal of the basement element from the scheme.

11. SENSITIVITY ANALYSIS

- 11.1. In order to consider the viability of the proposed scheme, we have undertaken a sensitivity analysis by varying the level of affordable housing to try and achieve the break-even position (where the RLV is equal to the BLV)
- 11.2. In this instance, as per Tabs 1B/D, we have reduced the affordable housing to 0%, however even with this reduction the scheme still shows a deficit, and therefore is technically non-viable.
- 11.3. In order to assess the viability further, we have undertaken a sensitivity analysis which tests the impact of revenue & cost variations on the viability of the scheme at the policy level of affordable housing contribution, by up to a 10% variation. This enables one to observe the impact on the overall viability conclusions. This assessment is summarised in the table below (using appraisal model **Tab 1B** of **Appendix 2** as the benchmark:

Tab 1B						
SENSITIVITY TABLE		Market Revenues - GDV				
		-10%	-5%	0%	5%	10%
Total Cost	10%	£2,202,001	£1,895,262	£1,588,522	£1,281,782	£975,042
	5%	£1,861,109	£1,554,369	£1,247,629	£940,889	£634,150
	0%	£1,520,216	£1,213,476	£906,737	£599,997	£293,257
	-5%	£1,179,324	£872,584	£565,844	£259,104	£47,636
	-10%	£838,431	£531,691	£224,951	£81,789	£388,528

- 11.4. If we change the approach on target profit from 20% to 17.5% as discussed earlier in the report the conclusions are updated as follows:

Tab	Description	Total Units	Affordable % (Units)	RLV	EUV	Surplus / Deficit	Viable/ Non-Viable?
1A	19% Affordable Housing	27	19%	£846,097	£223,680	£1,069,777	NON-VIABLE
1B	0% Affordable Housing	27	0%	£537,807	£223,680	£761,487	NON-VIABLE

1C	19% Affordable Housing - Without Basement	27	19%	-£133,942	£223,680	-£357,622	NON-VIABLE
1D	0% Affordable Housing - Without Basement	27	0%	£160,059	£223,680	-£63,621	NON-VIABLE

- 11.5. Viability is therefore improved through the reduction in the target margin; however, not to the extent that the conclusion of this assessment is changed.

12. CONCLUSIONS

- 12.1. You will note from the summary table above and the appraisal included as **Appendix 2** that the proposed scheme incurs a deficit, even when the affordable contributions are reduced. In these circumstances, the scenarios tested should therefore be considered technically 'Non-Viable'.
- 12.2. Based on TM's experience, where certain deficits are incurred in viability, the developer can choose to take the 'commercial decision' to proceed with a scheme at a certain level of affordable, provided that the deficit does not increase any further beyond that point. This 'commercial decision' would be reached on an individual site basis formed on the assumptions within this appraisal.
- 12.3. In this instance, the applicant has advised us that they are prepared to deliver the scheme as per the appraisal in our submission but are only able to do so with the removal of the on-site affordable housing provision and the basement element from the scheme.

13. NON-TECHNICAL / EXECUTIVE SUMMARY

- 13.1. The Structure of the Residual Appraisals produces a Residual Land Value (RLV) which is then compared with an appropriate Benchmark Land Value (BLV). If the RLV exceeds the BLV, a surplus is generated and the scheme can be deemed "Viable". However, if the RLV is less than the BLV, a deficit is produced and the scheme should be considered "Non-Viable".
- 13.2. The inputs adopted within this analysis can be seen within the summary table below compared with those agreed with the Council's LPV:

Input:	TM Assessment	Council LPV
Market Values £ psf	£516	£255 - £464
Affordable Rent £ psf	£263	219.1937866

Shared Ownership %	65% of MV	60% of MV
Sales/Marketing	3%	3% + £750 per dwelling
Standard Construction Costs	£337.34	Variable BCIS
Professional Fees	10%	8% - 10%
Developer Profit Market	20%	15% - 20%
Developer Profit Affordable	6%	6%
Developer Profit Commercial	15%	15%
Finance Rate	7.50%	6.50%
Benchmark Land Value	£223,680	£850k per ha

- 13.3. The RLV of the proposed scheme does not exceed the adopted BLV even when the proportion of affordable housing is reduced to 0%, resulting in a deficit and a technically non-viable scheme.