

Durrington Gasworks
Elizabeth Square Phase 2,
Worthing

Viability Report

Turner Morum LLP

11 February 2026

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1. BACKGROUND AND RELEVANT EXPERIENCE

- 1.1. My name is Thomas Hegan of 32-33 Cowcross Street, London EC1M 6DF. I am a Member of the Royal Institution of Chartered Surveyors ("RICS") having qualified in 2010 following the award of an Honours degree in Real Estate Valuation and Management from the University of West England, Bristol – in 2005.
- 1.2. In 2007 I joined the practice of Turner Morum Chartered Surveyors and was made a Partner in 2013. I am a specialist in the field of development site appraisals and associated subjects. Some of the work I am currently undertaking or have recently undertaken is attached to this statement as Appendix 7.
- 1.3. I regularly advise across the whole of the UK on the value and potential of major tracts of development land. I am currently instructed by a substantial number of Local Authorities, Landowners, Developers, Receivers & Liquidators and have extensive experience in this field. I am an Accredited Expert Witness and have previously provided Expert Valuation Evidence. I have successfully undertaken the Advanced Professional Award in providing Expert Witness Evidence & am also an RICS Registered Valuer.
- 1.4. Turner Morum was appointed by the applicant, Bellway Homes Limited in January 2024 to provide a financial viability assessment in respect of their proposed residential scheme - with the planning application address: Land North of Juno Close and West of HM Revenues & Customs, Barrington Road, Worthing in West Sussex. The site extends to 10.32 gross acres (4.18 hectares), with a site location/layout plan included at Appendix 1.
- 1.5. As will be evident within the following report, various developer scenarios have been tested from a viability perspective, considering different amounts of residential, affordable and commercial uses. The aim of this exercise is to establish the number of market dwellings that are required for the scheme to become financially viable, whilst also ensuring that the scheme delivers some employment use.
- 1.6. In undertaking the enclosed analysis, I am aware of and follow the mandatory requirements set out in RICS Financial Viability in Planning; Conduct & Reporting (2019) Appendix 8. I am also aware of viability guidance documents such as the RICS Financial Viability in Planning (2012), Viability Testing Local Plans (the Harman report) and the RICS Assessing viability in planning under

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the NPPF 2019 for England (2021). I am also aware of the Planning Practice Guidance on Viability published following updates to the National Planning Policy Framework (NPPF).

2. MECHANICS OF THE ASSESSMENT

2.1. As outlined above, my residual appraisal analysis considers the viability of various residential / employment scenarios, which can be summarised as follows:

- Appendix 2 Tab 1A – Appraisal reflecting a 59-unit scheme with zero affordable housing, plus employment floorspace totalling c. 74,000 square feet. A plan of this development scenario is included as Appendix 1A.
- Appendix 2 Tab 1B – Appraisal reflecting an 89-unit residential scheme – again with zero affordable housing. This scheme includes c. 54,000 square feet of employment space. A plan of this development scenario is included as Appendix 1B.
- Appendix 2 Tab 1C – Appraisal reflecting a 123-unit residential scheme including 30% affordable housing, with an affordable housing tenure split of c. 75% affordable rent and 25% shared ownership. In this scenario, the employment floorspace has been included at 25,000 square feet. A plan of this development scenario is included as Appendix 1C.

2.2. As will be noted, my analysis considers these various development scenarios, starting with the 59-dwelling scheme, then the 89-dwelling scheme and I have finally considered the 123-dwelling scheme, with 30% affordable.

2.3. The following analysis considers the viability of each scenario, essentially considering the amount of residential development that is required to meet the considerable infrastructure/ abnormal costs associated with this site, including the cross-subsidy from the different amounts of employment uses. Within the 123-dwelling scheme, I have considered the proposal with 30% affordable.

2.4. I will now run through the appraisal inputs that have been adopted in sequential order, as they appear within my residual appraisal assessment.

LAND AREAS ACREAGES AND DEVELOPMENT SCENARIOS

- 2.5. The whole scheme gross area extends to some 10.32 acres (4.18 hectares) of which 4.95 acres (2.00 hectares) is net developable, albeit the amounts of employment / residential NDA obviously differ between the respective scenarios.
- 2.6. The residential mixes reflected within the enclosed analysis are illustrated within the plans that are provided as Appendix 1A (for the 59-unit scheme), Appendix 1B (for the 89-unit scheme) and as Appendix 1C – for the 123-unit scheme, and range between c.55,000 square feet for the 59-unit scenario (as per tab 1A) and c.111,000 square feet for the 123-unit scheme (as per tabs 1C).
- 2.7. My analysis also includes differing amounts of employment space per scenario, ranging between 74,000 and 15,000 square feet. A valuation report for a commercial scheme has been provided by Vail Williams – see Appendix 4, with commercial values and costs from this VW assessment applied to the other commercial scenarios within my viability analysis. This report concludes that the commercial scheme generates a negative land value before the externals, infrastructure and abnormal costs are reflected, and these commercial schemes all therefore require considerable cross-subsidisation from the residential within the respective scenarios.

REVENUES

- 2.8. The adopted market revenues are derived from recently achieved sales values from the nearby Bellway scheme at Elizabeth Square (which is the adjacent/ adjoining Bellway scheme), which averages £412 per square foot – with average market dwellings within this evidence averaging 1,089 square feet. This market revenue evidence is included as Appendix 2 (tab 8) and as Appendix 3.
- 2.9. Within the enclosed analysis, I have adopted a wholly optimistic approach, adopting market revenues averaging £438 per square foot – for dwellings averaging 1,010 square feet within Appraisal 1C. Clearly the scheme viability positions would have been markedly worse, had I not included a premium on this sales value evidence.
- 2.10. For the purposes of the appraisal included as Tab 1c (the 123-unit scheme at 30% affordable), the affordable revenues are included based upon standard industry benchmark percentages of Open Market Value ("OMV"), with the affordable rent values included at 55% of OMV – which is equivalent to £241 per square foot and the shared ownership values are included at 70% of OMV

– equivalent to £307 per square foot. On the basis of a c. 75% affordable rent / 25% shared ownership tenure split, the blended affordable housing revenue equates to 59% of OMV, at £257 per square foot.

- 2.11. As above, a valuation report for the 15,000 square feet commercial scheme included within the 123-dwelling appraisals has been provided by Vail Williams LLP ("VW"), as per Appendix 4. It will be noted that employment is included at an assumed £15 per square foot rental value, which provides a total rental income of £225,000 within this scenario. VW have then assumed a rent-free period of 6 months, with income then capitalised at an appropriate yield of 6.5% and 6.8% assumed for purchaser's costs. For the avoidance of doubt, I believe these revenues / cost allowances are correct / appropriate, hence they are included within my viability analysis.
- 2.12. On this basis, the total net GDV within this scenario equates to £3.126m. The same revenue / cost allowances have been applied within the 59/ 89 dwelling scenarios (which have greater amounts of employment floorspace) and result in employment net GDVs of £15.43m for the 59-dwelling scheme (as per Tab 1a) and £11.2m for the 89-dwelling scheme (as per Tab 1b).
- 2.13. The above revenue allowance result in the following GDVs (including the residential and employment uses):
- £39.3m for the 59-dwelling scheme @ 0% affordable + 74,000 ft² of employment (Tab 1A)
 - £50.2m for the 89-dwelling scheme @ 0% affordable + 54,000 ft² of employment (Tab 1B)
 - £49.4m for the 123-dwelling scheme @ 30% affordable + 25,000 ft² of employment (Tab 1C)

DEVELOPMENT COSTS

- 2.14. Fees and marketing costs on the market housing are included at 3.0% of the market housing GDV. Transaction costs are included at 0.5% of affordable housing GDV, with this allowance intended to reflect the costs associated with transferring the affordable housing from the developer to a Registered Provider.
- 2.15. For the non-residential element, I have included 3 separate allowances associated with the disposal, marketing and letting of the units included, as advised by Vail Williams LLP. Disposal costs for the employment units are included 1.5% of the non-residential GDV, marketing costs are

included at a base figure of £10,000, and the letting fee is included at 15% of the non-residential GDV.

- 2.16. Standard construction costs for the residential element are derived from the Royal Institution of Chartered Surveyors (RICS) Build Cost Information Service (BCIS), with costs included based upon Lower Quartile figures for Q4 2025. As per BCIS guidance, to the base construction costs additional allowances are made for a locational weighting (1.12 Worthing, West Sussex), a net to gross adjustment for the apartments (15%), an external allowance (also at 10%) and with contingency applied at 2.5%.
- 2.17. The aforementioned allowances result in standard construction costs of £158 per square foot for estate housing and £209 per square foot for flats. These allowances provide average build costs of c. £168 per square foot – for the residential only, with the 123-dwelling scheme. A breakdown of these standard construction costs is included as Appendix 2 Tab 3.
- 2.18. For the employment element, the construction costs are again based upon the VW report, with standard construction costs including contingency, averaging £157.50 per square foot – excluding externals, infrastructure / abnormal. A breakdown of these costs is included as Appendix 2 Tab 3B and as Appendix 4.
- 2.19. The cost associated with meeting the extra-over costs associated with the enhanced Part L & Part F Building Regulations (2022), at £3.5k per dwelling. This represents an appropriate allowance, consistent with what is widely accepted within the industry. I have also included costs associated with the scheme meeting Future Homes Standards at £6k per dwelling. The Part F cost allowance is also based upon the cost per dwelling allowance included within the AD cost assessment(s) – as examined below - so there is no double-counting in this regard.
- 2.20. Allowances for professional fees are then included at 7% of the standard construction costs, Part L & F and Future Homes costs. These fees are intended to include all professional consultancy input including planning, quantity surveying, project management, CDM, etc. For the non-residential element, these are included at 12% of the employment build cost (which is 11.4% of the build costs + contingency), again as per the VW valuation assessment.
- 2.21. Developer profit allowances are again included based upon standard industry allowances, with the developer profit included at 20% of the market housing GDV and at 6% of the affordable

GDV. For the employment uses, the developer return is included at 20% on costs – again as per the VW valuation assessment, with this return allowance included within all appraisal scenarios. In my opinion, these profit allowances are the minimum amounts that would be required for a capital-intensive, risky scheme of this nature, especially in current economic conditions – with considerable sales and build cost uncertainty.

2.22. The infrastructure and abnormal costs (and the external works for the commercial schemes) are based upon cost advice provided by Allen Dadswell Construction Consultants, with cost assessments carried out for each of the development scenarios. A breakdown of the costs for each scenario is included within Appendix 2 Tab 5, with the cost plans included within Appendix 5. These cost positions – which include the cost allowances for Part L and for BNG - can be summarised as follows:

- Appendix 5A - 59 Unit Scheme – £8.558m
- Appendix 5B - 89 Unit scheme – £10.014m
- Appendix 5C - 123 Unit scheme - £9.885m

2.23. The Section 106 cost allowances for each scenario are based upon advice provided by Mr. Sam Sykes of ECE Planning with a breakdown included at Appendix 2 Tab 4. The contributions per scenario can be summarised as follows:

- Tab 1A - 59 Unit Scheme – 0% Affordable - £1.109m
- Tab 1B - 89 Unit scheme – 0% Affordable - £1.672m
- Tab 1C - 123 Unit scheme – 30% Affordable - £1.581m

2.24. I am advised that discussions are on-going with West Sussex County Council regarding potential contributions that may be required towards off-site highway works, albeit the requirements for these contributions nor the amounts have yet to be confirmed, and therefore no contributions have currently been included within the enclosed analysis. Needless to say, if contributions are agreed to be required, they would have a detrimental impact on the scheme viability position, which may result in a required reduction in the level of affordable housing and/or s106 contributions that can be afforded from the scheme.

2.25. The Community Infrastructure Levy (“CIL”) contributions are applied based upon the LPA's 2026 CIL rates, which is £150.15 per square metre of market housing (GIA) and at £30.03 per square metre of market apartments. These CIL rates are applied consistently in all scenario, albeit the

overall amounts obviously vary relative to the amount of market housing / flats within each scenario. No CIL is payable on the employment land. The overall amounts per scenario obviously differ due to the different amounts of market housing / flats within each.

- 2.26. The costs of complying with the Building Safety Levy are then included at £18.66 per square metre of market housing/ flats, which is based upon the previously developed land ("PDL") rate for Worthing. Again, the overall BSL amounts differ per scenario due to the different amounts of market housing.

FINANCE COSTS

- 2.27. Allowances for finance costs are calculated within yearly cashflow appraisals reflecting the projected revenue / cost amounts and timings for each development scenario. Finance cashflows are included as per Appendix 2 Tabs 6A – 6C.
- 2.28. With regard to residential scenarios, the enclosed finance cashflows assumes that the scheme will achieve 52 market completions per annum, commencing from Q1 Year 2, with the affordable disposals reflected proportionally on-top within cashflow 6C. With regard to the employment income, this is assumed to be realised from Q1 Year 2 onwards, and broadly mirrors the residential completion assumptions. All cashflows assume a finance rate of 7.5% per annum, which I believe is conservative, given the BOE Base Rate is currently 4%.
- 2.29. In my experience, considering the outturn finance costs on a percentage of costs or GDV is a useful benchmarking exercise. It will be noted that the attached appraisals show finance costs of approximately 4.4% of total costs – which is lower than what I would usually expect for a capital-intensive scheme of this nature, with substantial infrastructure / abnormal cost requirements in current market conditions. I believe this is partly due to my optimistic appraisal assumptions, in particular the low Benchmark Land Value ("BLV") and the optimistic sales rates.

3. VALUATION METHODOLOGY

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

- 3.2. For the purposes of this analysis, the adopted BLV is derived from the Worthing Local Plan Strategic Viability Assessment, which was produced by Dixon Searle Partnership in January 2021. This document makes reference to BLV allowances of £250,000 per gross hectare (£101,172 per acre) for Greenfield Enhancement sites. Given that this is Previously Developed Land (PDL), I believe a significantly higher BLV could have been justified – with the DSP assessment recommending significantly higher BLVs ranging between £344k and £1.4m per gross acre for employment land sites.
- 3.3. Needless to say, had a higher BLV been adopted, the viability position would have worsened significantly. However I believe the viability conclusions of this site are readily apparent based upon this lower BLV, and I am therefore prepared to adopt this low BLV position – with a view to swiftly concluding the viability discussions.
- 3.4. Based upon the 10.32 gross acres within the subject scheme, the BLV equates to £1,043,989. I have then made allowances for Stamp Duty Land Tax (SDLT) at the prevailing rates and Agent/Legal fees at 1.75% of the total BLV. After these allowances, the total BLV adopted for the purposes of this assessment equates to £1,103,959 for the scenarios incorporating both residential and employment floorspace.

4. SUMMARY CONCLUSIONS & SENSITIVITY ANALYSIS

- 4.1. The results of the viability analysis can be summarised as follows:

Scenario	No. Units	Market Units	Aff Units	RLV	BLV	Surplus/ Deficit	Actual Dev Return
0% Updated Mix - Resi & Employment (301 A)	59	59	0	-£4,582,284	£1,103,959	-£5,686,242	4.3%
0% Affordable + Employment	89	89	0	-£1,812,628	£1,103,959	-£2,916,586	13.5%
30% Updated Mix - Resi & Employment (201 A)	123	86	37	-£969,734	£1,103,959	-£2,073,692	13.7%

- 4.2. As will be evident from the above summary table, in order to assess the viability of the proposed scheme, analysis has been undertaken looking at these different residential schemes with varying

amounts of dwellings, affordable housing and employment. The appraisal analysis has been set-up to consider further scenarios – which can be examined in due course, if required.

5. CONCLUSIONS

- 5.1. As will be observed from the above summary table, my analysis demonstrates that the schemes with 89 market dwellings – and 54,000 of employment space, shows a viability deficit of £2.92m, and is therefore clearly non-viable, and the 59-dwelling scheme shows a higher deficit totalling £5.69m. I cannot see any circumstances in which these scenarios would ever be considered deliverable, due to these viability conclusions.
- 5.2. My analysis also considers the ability of the 123-unit scheme to support affordable housing, with 30% affordable reflected in the Tab 1C appraisal – with 25,000 square feet of employment uses. Again, as illustrated above, this development scenario is shown to be significantly non-viable, with a £2.07m viability deficit. I believe this deficit illustrates that this development scenario is also non-viable / non-deliverable, with a developer return of just 13.7% of scheme GDV – in comparison with a target return of 18.0%.
- 5.3. Ordinarily, a deficit of this magnitude would justify a developer seeking additional market dwellings or reduced s106 contributions. However, I'm advised that my client is prepared to proceed with the development (Tab 1C), despite this viability deficit – which represents an amount of "usually obtainable" developer profit that they would be forgoing in this instance, in order to see the scheme proceed.
- 5.4. I believe the conclusions of this analysis are especially apparent when one considers the conservative nature of various adopted inputs – in particular, my BLV allowance – which is based upon the LPA's lower greenfield land BLV allowance, as opposed to that recommended for PDL sites and the finance cost assessment, which optimistic sales rate assumptions, and the market revenues – which have been included at a premium to those being achieved on the adjacent site, which is also being delivered by Bellway Homes.
- 5.5. I trust this provides a suitable summary; I would welcome the opportunity to discuss my findings with you at your earliest convenience.



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