

Local Plan Review

Colchester City Council

Turner Morum LLP

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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 3**.
- 1.3.** I regularly advise across the whole of the UK on the value and potential of major tracts of development land. I am currently instructed by a substantial number of Local Authorities, Landowners, Developers and Promoters, and I have extensive experience in this field. I am an Accredited Expert Witness and have previously provided Expert Valuation Evidence. I have successfully undertaken the Advanced Professional Award in providing Expert Witness Evidence & am also an RICS Registered Valuer.
- 1.4.** I have reviewed the Colchester City Council Local Plan Review Viability Assessment produced by Newmark (formerly Gerald Eve) which follows on from my previous review of the Gerald Eve Viability Presentation, which was submitted on the 16th January 2025 (and which is included as **Appendix 1**). I again believe that many of the inputs and assumptions are acceptable – but several inputs still require detailed consideration, including:
1. Appraisal Structure
 2. Benchmark Land Value (BLV)
 3. Residential Mix
 4. BCIS Build Costs / Garages
 5. Externals works costs
 6. Future Homes Standard / Additional Net Zero
 7. Affordable Housing Revenues
 8. S106 Contributions
 9. Interest Rates/ Finance calculations
- 1.5.** I have expanded on each of the above points in more detail below, and have provided commentary on the inputs that I believe need further consideration below, as follows:

2. CONSIDERATION OF INPUTS

Appraisal Structure

- 2.1. Firstly, as someone who specialises in this type of analysis, it is clear that Newmark have adopted a bespoke appraisal structure that is almost impossible to forensically interrogate.
- 2.2. For example, it is impossible to analyse the residential mix that has been applied within each of their modelled typologies, the build cost breakdown, the finance cost calculations and how the residual land values are arrived at.
- 2.3. I believe the adopted approach is at odds with the NPPF PPG viability guidance recommendations for transparency, and the appraisal structure makes it almost impossible for anyone to carry-out a detailed and forensic review of their inputs, methodology and conclusions.
- 2.4. I have requested a live version of the Newmark appraisal on several occasions but they have not been prepared to provide it, which is extremely concerning and at odds with PPG Viability Guidance that viability assessments of this nature should be publicly available.
- 2.5. Given the various concerns that exist with the Newmark analysis – as examined below - it would be difficult to attribute any weight to the conclusions of the Newmark viability analysis.

Benchmark Land Value (BLV)

- 2.6. The presentation produced by Newmark in December 2024 made reference to BLVs of £125k-£250k/acre for small greenfield sites and £100k/acre for medium and large greenfield sites. However, this latest Newmark report recommends markedly lower BLVs for “medium and low value zone’ Greenfield sites, of just £62,500 per gross acre.
- 2.7. As per my previous advice, I regard **£100k per acre** as the absolute minimum amount that a reasonable landowner would require to release their land for development, and this would be appropriate for large / volume sites. Markedly higher BLVs will be required for small and medium greenfield sites, at the upper-end of this identified BLV range. I do not believe that a BLV as low as £62,500 per acre would be remotely appropriate, and I have not seen a BLV as low as this adopted in any Local Plan Viability assessment.
- 2.8. As identified within the June 2012 Harman Report ‘Viability Testing Local Plans’, landowners of large strategic sites are rarely distressed sellers, and will not promote their sites for development

unless they secure an appropriate level of value, which will need to be at least 10-times EUV and up to 20-times EUV for large greenfield sites. Most strategic sites with development potential are already secured under option agreements, with these levels of minimum price required to be paid as a contractual minimum, for the sites to be acquired.

- 2.9.** It is worth noting that Newmark have accepted a BLV of £100K per gross acre for the Tendring Colchester Borders Garden Community (which I am acting on) which is an extremely large scheme, and nothing within their Appendix 4 document supports the significant BLV reductions that they now appear to feel a landowner should accept for land being released for development. In fact, section 4 of Appendix 4 illustrates that a BLV of £62,500 per acre is well below all of the other BLVs that have been adopted in the other cited viability / local plan assessments.
- 2.10.** Newmark appear to be relying upon the inspector's comments from the North Essex Report as justification for this low BLV, and if this is the case, I believe this has been applied incorrectly. Firstly, the suggested range of £50k to £100k per acre was – in my opinion, far too low – again noting that Newmark have previously adopted £100k per acre within their December 2024 testing and that £100k per acre is adopted within the Tendring Colchester viability testing.
- 2.11.** Furthermore, the Inspector also made it clear that the lower end of this range would only be appropriate for extremely large sites (where landowners are selling a lot of land). Newmark have seemingly applied this low BLV to all medium and low value greenfield schemes, which cannot be correct.
- 2.12.** I am also surprised that Newmark have not explained why the BLV position has changed from their previous December 2024 position (see Appendix 5 of the Newmark submission). In my opinion, a multiplier of just 5 times EUV would provide a patently insufficient incentive to an agricultural landowner. As identified within the Harman report, greenfield landowner will have invariably owned land for generations and will not “sell the family silver” for such a low amount and they are under no compulsion to sell. A BLV at such a low level would – in my opinion - render a significant number of the strategic greenfield sites non-viable/ non-deliverable
- 2.13.** This BLV is applied to the low and medium value sites within Colchester – which covers most of the Borough, as will be evident from the plan included at para 6.25 of the Newmark report and at figure 2 of Appendix 8.
- 2.14.** Newmark have seemingly applied a 10 x premium for the higher value greenfield schemes, and only £62,500 for similar scheme in extremely close proximity, which in my opinion cannot be

correct. Landowners have no interest in what houses sell for, and are only interested in what they receive as a minimum amount having regards to the EUV – and BLV should not be adjusted to reflect variances in residential property values, for sites in the extremely similar geographical locations.

- 2.15.** It is noted that a number of these low / medium value schemes are shown to be non-viable within the Newmark conclusions section, which may explain why the lower BLV has been adopted. With respect, this approach is akin to “the tail wagging the dog”. The BLVs should not be reduced in these locations because the schemes are borderline from a viability perspective; all this will do is sterilise numerous developments.
- 2.16.** I have provided evidence of various other adopted BLVs as **Appendix 2**. It will be noted that none of these BLVs are below £100k per gross acre, which I consider to be the absolute minimum.

Residential Mix

- 2.17.** Newmark analysis and report do not provide sufficient detail on the residential mix that has been reflected within the analysis, and in particular the proportions of houses / apartments. The only detail that has been included is at table 6.21 and this does not show the split.
- 2.18.** Similarly, the appraisal assessments do not include any breakdown of the residential mix – and it is not possible to establish the approach that has been employed. For example, I would expect all of the 1-bed market dwellings to be apartments, and a proportion of the 2-beds – but the details are not included.
- 2.19.** This can be a key consideration within this type of viability analysis, and I suspect Newmark have failed to include circulation areas for the apartments within their analysis – but it has not been possible to ascertain, and Newmark are obviously not prepared to provide their appraisals.

BCIS Build Costs / Garages

- 2.20.** For similar reasons, it is not possible to establish the approach that Newmark have taken to the standard construction costs – with similar concerns to those raised above regarding the costs that Newmark have applied to the houses / apartments (it is not clear whether BCIS costs for apartments have been included at all, and if so, whether circulation spaces are also included).
- 2.21.** Within their appraisal Newmark make reference to garage costs, but they are not confirmed the associated garage costs (within Appendix 6 Newmark have confirmed the market dwellings they have been applied to).

- 2.22.** I believe there is a crucial error within table 4 / para 6.33 of the Newmark Report, where Newmark have indicated that they have applied Lower Quartile BCIS costs to schemes of less than 100 dwellings, and median average BCIS to schemes of more than 100 dwellings.
- 2.23.** However, the exact opposite is confirmed within Appendix 6 of the Newmark assessment. This is a fundamentally important point, and clarification is required in this regard.

External Works Costs

- 2.24.** It will be evident that Newmark have applied a 10% allowance for plot externals – which would be appropriate, if applied to median average BCIS costs – but which would be insufficient, if applied to lower quartile (see comments above). This cost allowance is intended to cover all of the external works within a (serviced) residential parcel – which would include all gardens, sheds, driveways, all plot roads, plot infrastructure, service connections, street furniture, etc.
- 2.25.** The external works costs within the appraisal analysis equates to c. £13,500 per dwelling – which would provide insufficient cover for these cost items. In my opinion, a 15% allowance would be the minimum amount that should be included.

Future Homes Standards / Additional Net Zero

- 2.26.** It is then noted that Newmark have included £7,500 per dwelling to achieve Future Homes standard – which in my opinion is approximately £2.5k per dwelling too low, also allowing for Building Regulation Part L compliance which is not yet included within BCIS, and then a further 5% build cost uplift to achieve Net Zero status, which is again far too low, at less than £7,000 per dwelling as an uplift. In my experience, this should be £10k - £12k per dwelling as an extra-over cost.

Affordable Housing Revenues

- 2.27.** The main Newmark Report appears to be completely silent on the assumptions that have been made in regards to affordable housing values, but they are included within Appendix 7 – see table 77.
- 2.28.** The affordable revenues that are identified here are significantly over-stated in current market conditions, at 55% of OMV for the affordable rent and 75% of OMV for the intermediate – with affordable values “blending” to 60% of OMV, which is far too high.

2.29. Affordable values are presently an extremely important viability consideration, due to a lack of interest from Housing Associations (HA's) which has resulted in low/no offers on numerous sites which is having a considerable impact on scheme viability. I do not believe more than 45% / 65% of OMV can be justified (for the affordable rent / shared ownership dwellings), which will have an obvious bearing on any viability assessment.

S106 Contributions

2.30. An allowance of £10,500 per dwelling feels far too low – based on my recent experience considering scheme viability for developments in Colchester. Obviously, scheme viability will be impacted, if this amount increases at application stage.

Interest Rate / Finance Contributions

2.31. The finance costs included within the Newmark analysis do not appear to be correct.

2.32. The finance costs within one of the appraisals for the 400-dwelling strategic allocation are only **£473k**. In my opinion, this cannot be enough for a Greenfield Net Zero development, with significant infrastructure costs, a GDV of £143m and up-front land costs of £7.4m (based on Newmark's RLV).

2.33. These finance costs would equate to just **0.3%** of the scheme GDV which cannot be correct. Generally speaking, development finance is one of the key barriers to scheme delivery / viability and this not adequately reflected within the Newmark analysis.

2.34. However, it has again not been possible to forensically analyse the Newmark appraisals and/or their cashflow assumptions – because they are not prepared to provide the detailed viability analysis, despite my numerous requests.

3. SUMMARY CONCLUSION

3.1. The Newmark viability conclusions appear to be significantly over-stated due to significantly over-stated affordable revenues, significantly under-stated development costs – and Benchmark Land Value assumptions that are far too low, and which would risk sterilising numerous developments in this location.

3.2. I hope the above provides a sufficient level of information – I would welcome the opportunity to discuss any of the above in more detail once you have had a chance to review.

3.3. This report has been prepared by:

Thomas Hegan BSc (Hons) MRICS

Partner



Turner Morum LLP

January 2025